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Kidnap victim freed for £2m ransom

Kidnapped Arab millionaire Muhammad Sadiq al-Tajer was found in a south London street, chained to a bedstead yesterday, after a £2m (£2.1m) ransom was paid. He was kidnapped 12 days ago outside his Knightsbridge home and chained to a bed in a house in West Norwood. Police imposed a news blackout. A ransom of £50m was first demanded, but this was reduced to £2m and paid in Beirut by his family, through an intermediary known as "Mr X". Mr Sadiq al-Tajer was left to free himself. His brother, Mohammed Mahdi al-Tajer, is the United Arab Emirates ambassador to London. A former customs official, he is reputed to be one of the world's richest men. He said he had opposed paying the ransom but was overruled by his family. Police, who tracked "Mr X" through Europe, said they suspected an Arab gang.

WORLD NEWS

Aden battles continue

Tank battles continued yesterday in Aden amid reports that talks between the South Yemen Government and rebel forces had broken down. Several countries, including Britain and the Soviet Union, have decided to evacuate their nationals, which is likely to prove hazardous. There are about 50 Britons in Aden. Page 2

Gunmen hold Spaniards

Three Spanish embassy officials were kidnapped by Beirut gunmen, hours after Spain established diplomatic relations with Israel. Page 2

Channel tunnel hopes

The Channel Tunnel Group-France Manche rail tunnel scheme appeared to have taken the lead in the competition to build a fixed Channel link. Back Page

Lesotho fighting denied

Lesotho denied a South African radio report that fighting had broken out in its capital, Maseru. Security. Page 2

Uganda violence flares

Heavy fighting erupted in Uganda between government troops and the rebel National Resistance Army, a month after a ceasefire agreement. Page 2

Law reform pledge

Consumer reaction to proposals for radical reform of the legal profession will be taken seriously, the Law Society said. Page 4

Sell land, councils told

Sixteen English local authorities were told to dispose of 125 acres of their unused or under-used land. Page 5

El Al suspends flights

El Al Israeli airline is to suspend flights to Manchester after a disagreement with the Transport Department over new security arrangements.

Algerian change backed

Revisions to Algeria's constitution, putting greater emphasis on private enterprise and Islam, were supported by 98.37 per cent of the population in a referendum.

Banks double rewards

Banks are doubling to £10,000 their reward for help in convicting bank robbers.

High and dry

The US space shuttle Columbia's landing was postponed for a second day because of rain at Cape Canaveral.

Football ban eased

Belgium eased its ban on British soccer teams, imposed after the European Cup final riot, to allow amateur clubs in.

Woman bites dog

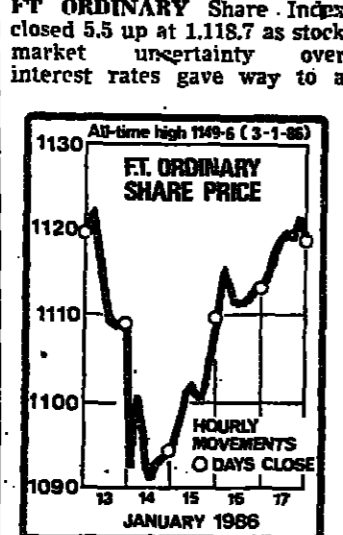
The Kennel Club censured dog-breeder Natalia Chertovskaya for biting her dog after it lunged at a passer-by at the Welsh Kennel Club show. She said she had only yelled "rude things" in its ear in Turkish.

BUSINESS SUMMARY

Plessey fails in US move

A US judge has decisively rejected an attempt by the electronics group Plessey to use the American courts in its defence against a £1.2bn bid from its fellow British concern, the General Electric Company. Plessey had argued that the GEC offer was open to its US shareholders and had sought an injunction requiring GEC to conform to US securities laws. Back Page

FT ORDINARY SHARE INDEX



more relaxed mood. The index, which fell nearly 25 points over the week's first two sessions, ended 1.1 lower overall. Page 12

G5 ministers, meeting in London this weekend, have been urged by banks and metal brokers to press the International Tin Council to honour its debts. Page 3

DOLLAR was given a strong boost by news of a 17.5 per cent increase in US house building starts in December but trading was lacklustre ahead of the G5 meeting. The currency's index was unchanged at 125.9. Page 11

INFLATION rate in the UK edged up to an annual 5.7 per cent last month from 5.5 per cent in November. The Government called it a "temporary blip". Back Page

ELECTRONIC Rentals Group, video rental and Visionaire television concern, which recently acquired Telefusion, is to close 100 shops and cut up to 1,000 jobs. Back Page

CITICORP of the US entered the UK life assurance market through the acquisition of British National Life Assurance from Armo. Back Page

METAL ROX, packaging company, is to cut 421 jobs at its can components plant in Neath, South Wales. Page 3

ACAS talks have been arranged in an attempt to avert a planned strike by hospital maintenance workers. Page 5

SWAN HUNTER'S management has bought the Tyneside shipyard from state-owned British Shipbuilders for £5m. Page 3

IBM reported a 32 per cent rise in fourth quarter net income to £2.68bn (£1.9bn). The result is further evidence of an upturn in the US computer industry. Page 9

Small voices heard between the thundering notes

THEY WERE talking of £75m rescue deals at the Westland shareholders' extraordinary general meeting yesterday but Mrs Annie Constance Palmer was at the Royal Albert Hall for the sole purpose of putting in her two-pennorth, writes Fiona Thompson.

Mrs Palmer, 80, left her home in Leigh, Lancs, before Thursday morning's post to catch a train to London, staying overnight at the Regent Palace Hotel so as not to be late for the "historic meeting".

The hall, more familiar with the swelling notes of the organ, thundering out the

Women's Institute hymn. Jerusalem, yesterday heard the still, small voice—and vote—of the little investor, too.

Mr John Banks, a Lincolnshire farmer, who bought his 1,025 shares in 1936, came because he wanted "to listen to both sides." Besides, he said, "I took the last of my sugar beet to the factory in Spalding last week." It was the authentic voice of the green and pleasant land.

Westland, which had arranged catering for 3,000, changed the venue from the Connaught Rooms in central London for fear not all those wishing to attend would get in.

In the event, says Westland, only 470 shareholders or proxies attended, barely more than a fifth of the hall's capacity.

The fate of surplus sandwiches and Danish pastries is unknown.

More than 200 workers from Westland's factories at Yeovil, Weston-super-Mare and the Isle of Wight—all in favour of the Sikorsky-Flat rescue plan—met arriving shareholders with placards. "You invest your money, we invest our livelihoods," the said. "Heseltine. Where were you in May '85?"

Sir John Cuckney, Westland chairman, putting his board's case in favour of the

Sikorsky package, opened proceedings promptly at 10.30am. Twenty minutes into his opening speech his voice showed signs of giving out. France came to the rescue in the form of Perrier water.

Shareholders wishing to speak went to one of 17 microphones; 30 did so. A few asked rather rambling, confused questions; others more versed, obviously had as their favourite bedside reading, Jane's All the World's Aircraft.

Some speakers, most vehemently a Mr Starling from Havant, Hants, a small shareholder for 25 years, complained of Westland's heavy-

handedness in telephoning shareholders at home wanting to know why their proxy votes had not been received.

Sir John was firm. He said it was right that the company should encourage shareholders to vote when its position was perilous. Applause from the floor supported him.

Sir John, standing at a lectern in the centre of the top table, was flanked by his six fellow directors and a second string of 17 financial and legal advisers.

Sir John Treacher, Westland deputy chairman, had problems with his microphone and twice had to ask the Continued on Back Page

Westland ballot on Sikorsky falls short

BY LIONEL BARBER AND BRIDGET BLOOM

THE BOARD of Westland, the British helicopter manufacturer, failed to win the necessary 75 per cent majority yesterday for its favoured solution of a link with Sikorsky, the US helicopter company, and Fiat of Italy.

At the end of a tense extraordinary general meeting held in the Royal Albert Hall, London, Sir John Cuckney, the Westland chairman, announced that 65.2 per cent of voting shareholders had backed the Sikorsky-Flat rescue plan, almost 10 percentage points short of the majority needed.

Sir John immediately appealed to the four-nation European aerospace consortium to withdraw its rival proposal. Sir John said he would also hold discussions with the company's advisers and bankers in an effort to come up with a proposal requiring only a simple majority.

Sir John said he hoped the European consortium would do the honourable thing and withdraw. "I hope they accept the

democratic verdict of the ballot box."

He said the company might face "the appalling prospect of a stalemate, unless the consortium allowed its proposals to lapse."

Mr David Horne, managing director of Lloyds merchant bank, advising the European consortium, appeared taken aback by Sir John's call. He said the consortium members would have to consult on their next move.

Representatives of Agusta and Aerospatiale, respectively the Italian and French companies involved, said any formal reaction from the consortium was unlikely before early next week.

There was no immediate reaction from British Aerospace. The company made clear, however, it was still very much in the running.

Mr Bill Paul, president of Sikorsky and a vice-president of its parent, United Technologies, said he was undaunted by the

vote. He would return to the US while the Westland board examined contingency plans, he said.

The inconclusive result yesterday was claimed as something of a victory by both sides, but it is probable that neither will find it easy to break the deadlock.

Sir John said the vote had provided "a convincing majority" which, given the overwhelming support for the Sikorsky-Flat solution from the workforce, gave the board great encouragement.

However, on an 85 per cent poll, the Westland board was well short of its required majority and would have only the barest simple majority had it not been for the support of Hanson Trust, the UK industrial conglomerate, which bought 15 per cent of Westland's shares well above the market price this week.

Any attempt by the Europeans to capitalise on their Continued on Back Page

Social Security Bill fails to show impact of changes

BY ROBIN PAULEY AND ERIC SHORT

THE GOVERNMENT'S Social Security Bill published yesterday outlines radical changes to benefits and pensions while providing no information about the impact on individuals.

Mr Norman Fowler, Social Services Secretary, presented the bill to parliament together with a report by Mr Edward Johnston, the Government Actuary.

This gives a wealth of detail about the effect of pension changes on the National Insurance Fund, leaving little room for any future criticism about lack of information in this respect. Nowhere is it possible however to see the result of the changes on the millions of people affected.

The reforms to pensions and social security proposed in the bill mirror those outlined in December's white paper. Virtually no specific detail has been added.

The key proposals on pensions will be to modify the State Earnings Related Pension Scheme (Serps) and reduce its

cost together with the introduction of personal pension schemes for all employees who want them.

The lack of detail about both these plans and the way the new social security system will work leaves the Government free to implement the system through regulations which need not be announced until after the bill is on the statute book.

The Government is likely to come under great pressure in the Commons and the Lords, over presenting such a general and open-ended bill on so controversial an issue.

The pension changes will result in much lower pensions from Serps, particularly for employees with broken career patterns.

Employees are instead being encouraged to make their own provision through personal or employers' schemes, with the incentive of an extra 2 per cent rebate on NI contributions for five years in addition to the full rebate, likely to be 5.75 per cent.

Mr Fowler yesterday confirmed his commitment to applying the rebate to all employees and to introducing the 2 per cent incentive.

On the social security side, supplementary benefit will be abolished and replaced with a simpler income support. Family income support will be replaced with a family credit system and the thrust of the changes will be to direct more money to poor families with children whether or not the parents have jobs.

All householders will have to pay at least 20 per cent of their own rates, housing benefit will be cut by 250m and special payments and emergency payments will be abolished and replaced by a social fund from which payments or grants may be made at a DHSS officer's discretion with no right of appeal.

All the main social security changes will take effect from April 1988, a year later than originally planned. Details, Page 5.

Hurd go-ahead for DBS likely

BY RAYMOND SNODDY

THE GOVERNMENT is likely to give the go-ahead for the Independent Broadcasting Authority to advertise the franchise for a British direct broadcasting by satellite (DBS) project. An announcement is expected from Mr Douglas Hurd, the Home Secretary, before the end of February.

The project to beam new television channels from high-powered satellites to small receiving dishes in individual homes seemed stillborn last year when Britain's broadcasters decided not to go ahead.

It has been revived by an IBA report to Mr Hurd last week expressing cautious optimism that DBS could be made to work. Up to three channels of DBS may be offered by the IBA when the schedules in the 1984 Cable and Satellite Broadcast-

ing Act are brought into effect.

An important new factor is a favourable assessment of DBS potential by a team led by Mr John Jackson, chairman of Celltech, the British biotechnology company. Mr Jackson, who is a member of the British Technology Group, the holding company for Government investments in new technology, has a reputation for turning new technologies into businesses.

He believes that a £200m project offering three new television channels to viewers on a subscription basis can be financed and launched by 1989.

Mr Jackson, who has considerable experience of both television and consumer electronics, believes high quality pictures and programmes could attract 15 per cent of the population

within seven years of starting. The aim would be to set up a small company backed by institutional finance to provide the technology and put programme provision out to separate tender. A merchant bank is said to be confident that institutional finance could be raised.

Mr Jackson carried out the work in association with Britsat, a company backed by Ferranti, which hopes to provide the satellites for British DBS.

There have been talks with both the Trade and Industry Department and the Home Office. The Government is keen that DBS should go ahead to give a boost to the consumer electronics and rental industries and to provide more programme channels to stimulate cable television.

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MARKETS

DOLLAR	STERLING
New York lunchtime: DM 2.484	New York lunchtime: 81.4365
DM 2.484	London: 81.4365 (1.4385)
FF 7.553	DM 3.425 (1.5475)
SP 2.09	FF 10.555 (10.89)
Y202.35	SFR 3.005 (2.9875)
London: DM 2.4845 (2.466)	Y202.75 (291.0)
FF 7.5523 (7.57)	Sterling index 77.9 (78.0)
Sfr 2.09 (2.084)	LONDON MONEY
Y202.3 (202.35)	3-month interbank: closing rate 12 1/2% (same)
Dollar index 125.9 (same)	3-month eligible bills: buying rate 12 1/2% (12 1/2-64ths)
Tokyo close Y202.3	STOCK INDICES
US LUNCHTIME RATES	FT Ord 1118.7 (+5.5)
Fed Funds 7 1/4%	FT-A All Share 676.33 (+0.2%)
3-month Treasury Bills: yield: 7.31%	FT-SE 100 1,396.0 (+1.3)
Long Bond: 10 1/4% yield: 9.28%	FT-A long gilt yield index: High coupon 10.67 (10.64)
GOLD	New York lunchtime: DJ Ind Av 1,507.61 (-4.02)
New York: Comex Feb latest \$353.2	Tokyo: Nikkei 13,009.70 (-17.43)
London: \$353.5 (5362)	

Continental selling prices: Austria Sch 30; Belgium Bfr 45; Denmark Dkr 8; France F 6.50; W Germany DM 3.20; Ireland Irl 1.50; Italy L 1.50; Malta M 30; Netherlands H 2.5; Norway Nkr 7.00; Portugal Esc 30; Spain Pta 125; Sweden Sfr 7.00; Switzerland Fr 2.20.

CONTENTS

Channel Tunnel fixed link: cliffhanger to "the end"	6
Man in the news: Sir Raymond Lygo	6
Editorial comment: flirting with the oil cartel	6
Within the spirit of the law: Soviet drunkenness	7
Newspaper printing: high stakes in Wapping	7

Appointments	4	Gold Markets	11	Money Markets	11	UK News:	
Commodities	11	Int'l Co News	9	Overseas News	2	General	3-5
Company News	8	Leader Page	5	Share Information	17	Labour	5
Economic Diary	4	Letters	9	SE Dealings	12, 13	Unit Trusts	13-15
European Options	9	Lex	18	Stock Markets:		Weather	18
FT Articles	9	London Options	9	London	12	Wheat	18
Foreign Exchange	11	Man in the News	6	Wall Street	10	Base Rates	9
				Sources	10	Buildings Sub Rates	7

For London market and latest share index 01-246 8036; overseas markets 01-246 8086

OVERSEAS NEWS

S. Yemen tank battles rage as peace bid fails

BY KATHLEEN EVANS IN DUBAI

TANK BATTLES again raged in the streets of Aden, the capital of South Yemen, yesterday as reports that reconciliation talks at the Soviet embassy between the government and rebel forces had broken down.

A number of foreign embassies, including the Soviet mission, have decided to evacuate their nationals. Unconfirmed reports suggested that some staff of the Soviet embassy had already left Aden and were now offering assistance to other countries.

The British, French and West German governments were among those which said yesterday they were seeking ways of bringing their nationals out of the country.

There are estimated to be some 40-60 British residents in Aden. However, with fighting continuing for the fifth day in the Khormaksar area of the capital where many embassies are situated, the task of bringing expatriates to safety is proving extremely hazardous.

The Soviet Union had been trying for two days to find some compromise between the Government headed by President Ali Nasser Mohammed and the rebel forces who are said to be hard-line Marxists opposed to the régime.

The Soviet conciliation efforts have been complicated by the spread of the conflict to rural areas outside the capital. There were again reports yesterday of sharp tribal differences developing, with some tribesmen heading for Aden to join the fighting.

Mr Mo'men Bahadoun Farah, the Foreign Minister of Djibouti, which has been asked by Moscow to assist in the evacuation, said yesterday that he believed the situation in South Yemen was deteriorating.

However, the South Yemeni Health Minister, Mr Abdullah Bakir, who crossed the border to North Yemen on Thursday night, claimed that government forces were now mopping up the last pockets of rebel resistance.



Spain opens formal links with Israel

By Tom Burns in Madrid

A LONGSTANDING and increasingly embarrassing anomaly in Spain's foreign policy was rectified yesterday with the announcement that Madrid was extending formal diplomatic recognition to Israel.

The announcement came with the release of a joint statement signed by senior Spanish and Israeli diplomats at the Hague which said that embassies would be opened in Tel Aviv and Madrid and respective ambassadors appointed.

Mindful of a possible Arab backlash the Spanish Government simultaneously issued a declaration which emphasised its determination to maintain Madrid's "traditional policy of friendship and solidarity with the Arab world."

Prime Minister Felipe Gonzalez is due to underline the rapprochement with Israel by travelling to the Hague on Sunday for a meeting with his Israeli counterpart, Mr Shimon Peres who arrives in Holland on the same day at the start of a three nation European tour which includes a visit to UK.

Yesterday's joint statement said the decision was based on "the principle of universal relations among states" and that it reflected the "profound historical bonds that link the Spanish and the Jewish people."

The issue of normalised relations had been on Madrid's foreign policy agenda for the past decade since Gen Franco's death, but repeated Israeli attempts to force a decision had failed.

The Madrid government stressed yesterday its continuing support for the Palestinian people and specifically for their right to self-determination.

Moscow's cultural offensive draws first blood

BY REGINALD DALE, US EDITOR IN WASHINGTON

MOSCOW'S CULTURAL offensive against "anti-Soviet hysteria" in the American film industry has drawn its first blood, though not quite in the way that was probably intended.

Soviet efforts to stop the production of a controversial TV series, *America*, depicting the miseries of life in the US after a Soviet takeover, have caused a public outcry over Kremlin censorship of American TV screens and deeply embarrassed the American Broadcasting Corporation (ABC), the country's third-largest TV network.

ABC has now postponed production of the series, which was to paint a drab picture of Soviet-occupied America, showing long food lines, drug and alcohol abuse and general hopelessness, 10 years after a bloodless takeover by KGB agents.

ABC, however, has not received plaudits for abandoning

an anti-Communist project in the new post-Soviet "spirit of Geneva," as Moscow might have hoped.

On the contrary, the network has been deluged with criticism by the Reagan Administration and other commentators, including the New York Times, for seeming to yield to Soviet pressure.

ABC's wound is to a large extent self-inflicted. There were many reasons for postponing the series.

Originally planned as a 16-hour series for next year's prime time season, at a cost of \$40m (£26m) *America* was running way over budget. It had already been pared down to 12 hours to save money.

Announcing the postponement, ABC cited financial considerations as the main reason. In an apparently unguarded moment, however, a senior

network executive then made the crucial decision that Soviet threats to ABC "will be part of the consideration whether or not to go ahead with the project."

This occurred after ABC's Moscow bureau chief, Mr Walter Rodgers, had been summoned to the Soviet Foreign Ministry in mid-December to be informed of Soviet displeasure.

If America went ahead, it was clearly implied, ABC's newsgathering operations in Moscow would be jeopardised. Enter at this point a furious Mr William Bennett, the US Secretary of Education, who denounced ABC for apparently capitulating to Soviet bullying.

The network, he said, should "consider telling Moscow where they can put their intimidation."

Thundered the New York Times: "ABC entertainment

has clearly lost all balance, first in budgeting so much time and money for an absurd treatment of Soviet-American relations, then in betraying its news operation to a crude Soviet threat."

ABC's faux pas, it has been widely pointed out, is particularly unfortunate in that it comes in the midst of a more widespread Soviet campaign to purge the US entertainment industry of a wave of anti-Sovietism, embodied in such recent popular movies as *Rambo* and *Rocky IV*.

Both of them star a muscular, if inarticulate, Sylvester Stallone as a crude and bloodthirsty anti-Communist American hero.

Leading Soviet cultural figures have charged that such films are helping to spawn a "pathology of hatred" against their country in the US.

Many of the latest batch of pre-Christmas movies portrayed

Moscow, with varying degrees of anti-Sovietism, as the enemy, and parodies of Russians have suddenly sprung up in TV commercials, some very funny, some not at all.

One American Soviet specialist believes that since Mr Mikhail Gorbachev took over as Soviet leader in March, Americans have simply become much more aware of the Soviet Union.

In the Reagan era, he says, the Americans also feel confident enough of their status as Number One superpower to poke fun at their enemy.

That may be understandably infuriating to Soviet leaders. But the Kremlin's victory over ABC, if that is what it was, may prove short-lived. It is a fair bet that it will put other filmmakers even more on their guard against charges of Soviet manipulation.

S. Africa, Lesotho meet on closer security links

BY TONY ROBINSON IN JOHANNESBURG

SENIOR POLITICAL and security officials from South Africa and Lesotho met in Pretoria yesterday to hammer out terms of closer co-operation on security issues aimed at containing African National Congress (ANC) guerrillas and activists from using Lesotho territory.

At the end of the day-long talks, the two sides issued a statement which "recognised an urgent need to normalise the situation between the two countries."

The two sides will now submit their recommendations to their respective governments and "the modalities for normalising the situation" will be worked out in consultation.

Meanwhile, South African security forces kept up their checks on vehicles at border

crossings yesterday, although the de facto economic blockade, in operation for the past two weeks, was partially lifted when a goods train was allowed through.

Lesotho receives most of its oil and other essential needs either by road or rail from South Africa, and the blockade was introduced to force Lesotho to sign a security treaty with South Africa.

In Port Elizabeth, a court found a black youth, Mr Zamilé Mazantsana, guilty of terrorism and the possession of Soviet-made hand-grenades.

He admitted having received weapons training in Lesotho in June, 1985, and of bringing eight grenades into South Africa on his return. Sentence was postponed for evidence in mitigation.

Lebanese clashes continue

BY NORA BOUSTANY IN BEIRUT

SPORADIC fighting across the hills surrounding the Christian enclave of East Beirut continued yesterday as Lebanese factions braced themselves for a revised Syrian policy in reaction to the setback to a Damascus peace pact for Lebanon.

Pro-Syrian mountain gunners pounded Christian mountain and coastal villages intermittently for the third consecutive day and Lebanese army soldiers fought back from defence lines above the presidential palace at Bekdaji, 12 miles north-east of Beirut.

District militia commander Elie Hobeika said

in Paris that 12 hours of bloody inter-Christian battles on Wednesday had left 430 dead and many more wounded.

Rival Christian militiamen dislodged Mr Hobeika and his supporters in a major showdown which capped mounting opposition to the Syrian-sponsored peace agreement signed by Mr Hobeika and two Muslim militia commanders last month.

The Damascus pact limits the powers of the Christian president, calls for a special relationship with Syria and provides for a wider representation of Muslims in parliament and government.

Mr Mikhail Gorbachev's latest proposal calling for an end to nuclear weapons by the year 2000 appears to contain a significant shift in the Soviet position on Europe-based missiles, a point likely to be raised in talks between UK and Soviet officials in London next week.

Moscow now seems to have come close to accepting the US "zero option" with Mr Gorbachev's proposal of "complete elimination of intermediate range missiles of the US and the Soviet Union in the European zone."

A key uncertainty remains, however, as to whether Moscow's concessions on medium range weapons are subject to American abandonment of Star Wars space defence research.

So far the UK Foreign Office has said the latest Soviet plan contains "new elements which merit careful study." One of the new elements appears to be Soviet acquiescence in the refusal of Britain and France to have their existing nuclear forces counted into the balance of medium range missiles in Europe.

Mr Gorbachev is new simply asking that Britain and France should pledge not

Gorbachev's arms proposals puzzle US

BY OUR U.S. EDITOR IN WASHINGTON

THE REAGAN Administration was yesterday urgently studying the latest surprise arms control initiative by Mr Mikhail Gorbachev, the Soviet leader, to see if it contained real concessions or merely amounted to an attractive re-packaging of earlier Soviet positions.

Many officials admitted to confusion over Mr Gorbachev's proposals for the phased elimination of all nuclear weapons by the year 2000, announced on Wednesday.

They confessed to having

been taken aback by the unexpected Soviet move and said that it indicated a new, more active negotiating stance by Mr Gorbachev, to which the US would have to react more imaginatively than in the past.

While the Pentagon remained sceptical of any real change in Moscow's position, other officials detected promising signs in Mr Gorbachev's initiative — although they stressed that the fine print would have to be painstakingly examined.

First indications suggested

that Mr Gorbachev might have opened the possibility of a compromise on President Ronald Reagan's Star Wars space defence programme by calling for a ban on "development, test and deployment" of defensive weapons, without mentioning research, some officials said.

Mr Reagan has consistently emphasised that Star Wars is for the moment at least, only a research programme.

There was also some optimism in Washington that Mr Gorbachev might have

eased the way to an agreement on intermediate-range missiles — both by calling for the first time for the total elimination of both Soviet and US systems in Europe, and by apparently relaxing his insistence that the French and British independent deterrents be counted in the equation.

US officials warned, however, that there would be little hope of progress if Moscow continued to make abandonment of the Star Wars programme a pre-condition for all arms agreements.

UK may seek to confirm Euro-missile shift

BY DAVID BUCHAN

MR MIKHAIL GORBACHEV'S latest proposal calling for an end to nuclear weapons by the year 2000 appears to contain a significant shift in the Soviet position on Europe-based missiles, a point likely to be raised in talks between UK and Soviet officials in London next week.

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So far the UK Foreign Office has said the latest Soviet plan contains "new elements which merit careful study." One of the new elements appears to be Soviet acquiescence in the refusal of Britain and France to have their existing nuclear forces counted into the balance of medium range missiles in Europe.

Mr Gorbachev is new simply asking that Britain and France should pledge not

to build up their respective nuclear arms.

Previously, the Soviet Union has sought to include the current UK and French forces either in with US medium-range cruise and Pershing missiles or in with the long-range US nuclear arsenal.

What Mr Gorbachev now appears to be saying is that I can live with the British and French forces as they are — but not as they look like becoming.

Colonel Jonathan Alford, deputy director of the International Institute for Strategic Studies said, yesterday.

The residual Soviet anxiety is about British and French nuclear modernisation which, on present plan, would give them together 1,250 warheads by the year 2000.

An opportunity to clarify the new Soviet position will come when Mr Nikita Ryzhov, a Soviet deputy foreign minister, holds talks on Monday and Tuesday with UK Foreign Office officials. This is expected to focus primarily on bilateral relations since the last round in September of tit-for-tat expulsions of alleged spies.

Japan and the Soviet Union were hopeful last night of being able to issue a joint communique today on the achievements of three days' negotiations between the respective foreign ministers, Mr Shintaro Abe and Mr Eduard Shevardnadze, writes Jurek Martin in Tokyo.

The two ministers held unscheduled informal meetings yesterday. The main obstacle remained the language that would refer to the status of the four Kurile Islands to the north of Japan which have been occupied by the Soviet Union since the last war. After the regular Friday ministerial meeting, Mr Abe said there was a "50-50 chance" of a satisfactory resolution.

Malta initiative

Libyan leader Colonel Muammar Gaddafi has agreed to participate in an anti-terrorism conference being sponsored by Malta for central Mediterranean countries, writes Godfrey Grimpa in Valletta. The Maltese diplomatic initiative is aimed at creating an opportunity for Libya and the US to thrash out their differences at an informal round of talks, possibly in Valletta.

The initiative was disclosed by Dr Carmelo Mifsud Bonnici, the Maltese Premier, following his whirlwind trip to Libya yesterday for a meeting with Col Gaddafi. Malta has also requested the US to suspend its sanctions against Libya should the Valletta meeting go ahead.

Housing starts up

US housing starts jumped 17.5 per cent in December, but housing construction for the whole of last year fell for the first time in three years, the Commerce Department said yesterday, writes Nancy Dunne in Washington.

The 17.5 per cent increase for December represented 1.84m housing starts, seasonally adjusted, on an annual basis. The gain more than compensated for the 11.5 per cent drop in housing starts in November. For the year, housing construction was down 1 per cent, from 1.75m new units to 1.73m.

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Controversy grows over Hong Kong's non-Chinese minority

BY DAVID DODWELL IN HONG KONG

"WE MAY be basterd children," says Mr Lachman Narain, one of the leading members of Hong Kong's minority Indian community, "but sometimes, a Government must take care even of its bastards."

As he lobbied in London in an attempt to influence Thursday's debate in the House of Commons of nationality, he could be sure that feelings are running high in the British territory over Britain's refusal to provide the potentially stateless non-Chinese minority in Hong Kong with the right to live in Britain after 1997.

Mr Tom Clydesdale, who represents the business community on Hong Kong's Legislative Council, expresses the same sentiment, in more moderate terms: "The British Government cannot avoid direct moral responsibility for this group of citizens."

Controversy has re-emerged in Hong Kong on the nationality issue at a time when most British politicians probably thought it had died a natural if unpleasant death. Instead, to the surprise of

many in the Hong Kong Government, it has rekindled resentments against Britain for what many in Hong Kong see as Britain's betrayal of loyal and vulnerable subjects.

Worse still, it has drawn attention to the disproportionately large economic importance of Hong Kong's Indian community, and the damage that could occur to commercial confidence in the Territory if they were to respond to this "betrayal" by making plans to buy citizenship elsewhere.

In Thursday's Commons debate, the Government said it hoped to lay a draft nationality order to enact the provisions of the 1985 Hong Kong Act before Easter.

Mr David Waddington, Minister of State at the Home Office, did undertake to consider MPs' views on changes to the existing White Paper.

Under the terms of the Sino-British joint declaration, Hong Kong's ethnic Chinese who make up 98 per cent of the Colony's 6m population must come to terms with becoming Chinese citizens after 1997.

Scant attention has been given to the non-Chinese minority, who because of China's nationality law, cannot qualify to become Chinese citizens — at least for three generations.

This minority, which is about 10,000-strong, and includes a majority of about 6,000 Indians, faces what they see as the unsatisfactory prospect of British Overseas Citizen (BOC) status after 1997 — a status entitling them to live in Hong Kong, to travel on a BOC passport, but without the right to live in Britain.

The roots of the Indian community in Hong Kong — and its historical connection with Britain — run extremely deep. The descendants of Abdoljabbar Ebrahim proudly remind people that their business had been established in Hong Kong months before Jardine Matheson opened its doors in 1841.

It is rarely remembered that Sir H. N. Mody and Paul Chater established the Hong Kong Stock Exchange, that Dorabji Naorojee began the Star Ferry, or that Sir H. N.

Hong Kong legislators said yesterday that Britain risked undermining its authority in the colony by its stance on the citizenship of minorities there, Reuter reports.

They claimed that Britain had "failed to discharge its moral responsibility" to about 10,000 non-Chinese residents,

Mody endowed the Hong Kong University in 1911, and gave Hong Kong its statue of Queen Victoria, which now stands in Victoria Park.

While many arrived as traders — most of them Parsis and Ismailis — a large number of Punjabi Sikhs arrived as recruits into Hong Kong's police force.

Around the time of Indian independence, there was a further major influx. Many arriving at that time were required to re-affirm allegiance to the British Crown.

"Since then, we have seen a steady erosion of our rights as British citizens," Mr Narain

primarily Indians.

"The world at large will be the judge of this," Miss Lydia Dunn, effective political leader of Hong Kong's Legislative Council, launched an attack on the British Government, insisting that a failure to help the minority "would add to the profound resentment felt by many of Britain's most loyal subjects who believe their interests have been betrayed."

Miss Dunn, speaking on behalf of a unanimous Legislative Council which had the rare, explicit backing of the Hong Kong Government, called for the non-Chinese minority to be given full British citizenship.

For Hong Kong's hard-nosed commercial community — and for those who recollect Britain's commitment under the Sino-British agreement to preserve stability and prosperity up to 1997 — the prospect of economic destabilisation is a much more compelling reason for British compromise.

According to estimates from the Hong Kong General Chamber of Commerce, Indian traders account for about 12 per cent of Hong Kong's external trade, which totalled

from underground and elevated railway, they emerge in the centre of West Berlin without being colled by the West.

West Berlin officials claim the Third World refugees are in most cases attracted by "travel service" ads in their local newspapers announcing arranged trips to West Berlin.

Some 5,000 Tamils from Sri Lanka came to West Berlin in the first half of last year until East Germany agreed not to let them fly to Schoenefeld without a West German visa. Their place, however, was soon taken by Indians, Bangladeshis and Pakistanis.

The West Berlin authorities say they are believe the vast

majority of the asylum-seekers are "economic refugees" seeking a better life in West Germany.

It takes about four years to rule on their application for political asylum which are usually appealed if refused. Many asylum seekers in the past have been able to remain for eight years and longer. About one third of those who apply for political asylum in West Germany are eventually granted it. This is expected to be much lower for the Tamils however.

A West German court ruled last year that they were largely economic and not political refugees.

Travelling from East Berlin

Surge of refugees alarms West Berlin

BY LESLIE COLTLY IN WEST BERLIN

Surge of refugees alarms West Berlin

BY LESLIE COLTLY IN WEST BERLIN

A RECORD number of asylum seekers from the Third World are streaming into West Berlin and West Germany via East Germany as the result of the experience of German refugees under Nazi rule. Under the West German constitution foreigners applying for political asylum must be allowed to stay until their cases have been decided.

Last year 74,000 foreigners applied for political asylum in West Berlin and West Germany. More than half of the refugees arrive at East Berlin's Schoenefeld airport after flights on the Soviet airline Aeroflot, and other East European carriers.

West Berlin Mayor Eberhard Diepgen said yesterday that if the surge of refugees from Asia and Africa into West Berlin continues, it will lead to

"serious problems."

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FINANCIAL TIMES Europe's Business Newspaper

UK NEWS

Metal Box to axe 421 jobs at Neath

By Tony Jackson

METAL BOX, the packaging group, is to make 421 redundant in the unemployment stricken spot of Neath, south Wales. UK job losses at the company total about 3,200 over the past 10 months.

The Neath factory, Metal Box Cans Industries Components, makes can components and printed tinplate. About a third of its 856 workers were put on short time working in October. The group blamed a decline in world demand for can components at a time of rising capacity, combined with adverse exchange rate movements. By April 287 jobs are to go, with the remainder going in the following 12 months.

Neath's output consists mainly of can components — mainly in ends — for sale in international markets. The plant produces 2.5bn can ends a year, 14 3/4 sheets of printed tinplate. Exports account for 51 per cent of output.

Metal Box said the cuts would reduce dependence on standard pull ends for drinks cans, market under particular pressure from overcapacity.

Since the start of the financial year last April, job losses at Metal Box UK have affected a little cap factory at Poole in Dorset, a plastics factory at Portsea in Sussex, a flexible bottle plant at Farnmouth, general packaging plants at Gillingham and a paper factory at Winchester and group headquarters at Reading.

Metal Box made big job reductions at Neath early in the session.

NEI International Combustion, a subsidiary of Northern Engineering Industries of Derby, is to make 65 workers redundant. The company has completed two large boiler contracts for power stations in India and Brazil.

Royal Ordnance flotation team named

By Lynton McLean

THE GOVERNMENT has appointed Hoare Govett as lead underwriter to the issue of shares in Royal Ordnance when the state arms and munitions company is privatised in June.

N. M. Rothschild has been appointed as the merchant bank adviser to the Ministry of Defence, and Herbert Smith as solicitor to the offer.

The reporting accountant is to be Coopers and Lybrand and Bradford, Birkbeck, Gillingham and Co. has been appointed public relations adviser. Both these appointments were made jointly by the MoD and Royal Ordnance.

Merseyside survey forecasts 'hard slog'

THE Merseyside Chamber of Commerce and Industry in its latest economic survey for 1985 predicted a "hard slog" ahead with "no gleam of hope" for exports, continuing deflation, a fall in full capacity working, and a decline in employment.

Philip Stephens on the Group of Five meeting which could have a decisive impact on money markets
The global financial implications of a private affair

FINANCE ministers from the Group of Five leading industrial nations hoped their talks in London this weekend would be a private affair.

Instead, the meeting, scheduled to begin over dinner tonight and run through until tomorrow lunchtime, is being held against the background of nervous suspense in international financial markets.

What they say—or perhaps refuse to say—on Sunday afternoon could have a decisive impact on bond and money markets around the world.

After their New York meeting last September the ministers from the US, Japan, West Germany, France and Britain could not do enough to grab the attention of the world's press.

The announcement, at the City's Plaza Hotel, that they had finally decided to act against the dollar was made in the full glare of the world's television cameras.

That meeting had been meticulously planned and carefully scripted in more than a month of intensive preparations by officials. The ministers knew before they started what they would announce.

This weekend's talks, on the other hand, were planned as an informal get-together with, according to the British hosts, no pre-drafted communiqué or commitment to firm decisions.

At the same time the often conflicting remarks made by officials and ministers about their priorities have heightened both the expectations and confusion in financial markets.

The dollar has fallen by about 10 per cent since the five announced their joint intervention pact.

Mr Nigel Lawson, the Chancellor, was yesterday urged by Mr Tony Blair, a Labour Treasury spokesman, to back a co-ordinated cut in interest rates at this weekend's Group of Five meeting.

Mr Blair wrote to Mr Lawson urging him to support a Japanese initiative, backed by France, for the meeting to agree a co-ordinated world interest rate policy to achieve a cut in rates in the immediate future. He said this should be linked with policies for ensuring world growth.

Mr Blair said that since Mr Lawson was willing to take action last year at the behest of the US Government to assist in pushing down the dollar in the direct interest of US industry, now was his chance to help British industry as well as the world economy.

Mr Blair asked the Chancellor to seek a detailed update on the progress of the plan for the world debt crisis put forward last October by Mr James Baker, the US Treasury Secretary.

"That plan was a start to tackling the horrendous problem of third world debt, but it has faltered," he said.

Participants at the meeting say that there is a general recognition that the dollar is still overvalued. However, both domestic considerations in the US and development elsewhere argue for some pause before a renewed assault by the leading central banks.

Prominent figures in the Washington administration have made it known that they would like to see perhaps another 10 per cent to 20 per cent drop in the US currency's value to staunch the still-rising US current account deficit.

Mr Paul Volcker, the Federal Reserve Board chairman, is known to be anxious about the risk of a free-fall in the dollar's value which could re-ignite inflationary pressures in the US. At the same time he is reported to be concerned not to take any action which would borrowing costs are obvious. It

ease pressure on the administration to cut the federal deficit.

In Europe there are also arguments for sticking with the present holding operation in the foreign exchange markets.

The dollar's fall has created severe tensions within the European Monetary System as investors have switched their funds into D-marks.

Italy, which is not a member of the Group of Five, was forced on Thursday temporarily to reverse its policy of gradual liberalisation of financial markets to defend the lira.

What is more important perhaps, France is anxious to avoid a devaluation of the franc before its general elections in March.

So unless the EMS governments can agree on a general revaluation of the D-mark, perhaps combined with a much smaller revaluation of the French franc, then further decisive action against the dollar would entail considerable risks.

One minister attending the talks believes that these considerations will persuade the ministers to defer further moves until the meeting of the International Monetary Fund's interim committee in April.

The possibility of concerted cuts in interest rates also poses problems and there are distinct differences of emphasis both between governments and between finance ministries and central banks in the same countries.

The political attractions of a joint move to secure lower

interest rates because of falling oil prices, and West Germany are more sceptical about the possibility of repeating with interest rates what the five have achieved in the exchange markets.

Central banks in general are far less willing to put a grand international gesture ahead of their individual domestic considerations, particularly since they tend to be less sanguine than their finance ministers about the defeat of inflation.

The idea of ministers sitting down and agreeing a simultaneous cut in interest rates is pure fantasy, one central banker commented.

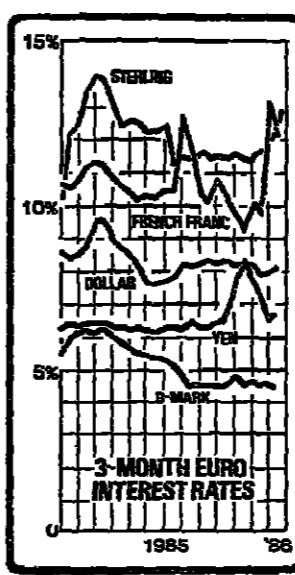
That, however, does not exclude the possibility that the meeting this weekend will create a climate of opinion which will encourage nations to take the opportunity to cut their interest rates when domestic considerations allow.

The West German authorities, for example, have done nothing to discourage a gradual fall in its market interest rates and has not ruled out the possibility that it might at some stage follow this with a reduction in official rates.

Britain, of course, which faces a possibility of renewed turbulence on its markets if the oil price continues to slide would benefit from any general impression that the trend of international interest rates may be turning down.

So if the talks at No 11 Downing Street do not have the drama of the Plaza, they could in the longer term prove just as significant.

Britain, which has its own problems with sterling and



would give a boost to the world economic recovery at a time when weak commodity and oil prices have reduced the risks of an upturn in inflation.

Japan, which has seen its domestic demand squeezed by both higher interest rates and a stronger exchange rate since the Plaza agreement, is particularly anxious for an agreed reduction in rates.

Mr Baker is also thought to favour a reduction in US rates both to ease the problem of third world debtors — giving a boost to his plan for a three-year programme of new lending to the debtors — and to maintain the momentum of the US economy.

Britain, which has its own problems with sterling and

Help sought on tin crisis from G5 ministers

By Stefan Wagstyl

BANKS and metal brokers who stand in loss hundreds of millions of pounds in the tin crisis have appealed for help to ministers attending the Group of Five meeting this weekend.

They want the ministers to exert pressure on the International Tin Council to honour its debts.

They hope the British team led by Mr Nigel Lawson, the Chancellor, will take the opportunity to press their West German and French counterparts to help fund a rescue.

The moves coincide with the failure yesterday of a round of informal discussions between representatives of the council and of the creditor banks and metal brokers.

Mr Ralph Kestenbaum, joint managing director of Gerald Metals, said that in response to the plan — which involves financing a new company to take over the council's assets and liabilities with £200m capital from member governments, £50m from brokers and £20m from banks — the council team had suggested bringing down the government contribution to £10m.

This was unworkable, he said. The council's next meeting is due to be held on Tuesday. The London Metal Exchange authorities meet on Monday to debate how to re-open the tin market — probably at the beginning of next month.

Government borrows £1.7bn in December

By GEORGE GRAHAM

THE GOVERNMENT borrowed £1.7bn last month, bringing the total public sector borrowing requirement for the first nine months of the fiscal year to £7.5bn.

The Treasury said the nine-month requirement was consistent with the Government's £8bn overall borrowing target for the year, revised upwards in the Autumn Statement last November from the £7.1bn Budget forecast.

Government revenues in January to March are boosted by tax payments, so reducing borrowing needs.

The figures fell within the range forecast by City economists and was greeted with equanimity by the gilt market.

Consolidated Fund revenue last month was £8.3bn, bringing the total for the first nine months of the fiscal year to £73.6bn. This is 9 per cent higher than in the corresponding period a year earlier.

Inland Revenue receipts in the nine months rose by £3.5bn and Customs and Excise receipts by £2.3bn.

The Government has forecast a drop in oil revenues of about £2bn but said this would be partly offset by increased

onshore revenues. Revenues as a whole are expected to rise by about 1.5 per cent.

Central government borrowing was £1.5bn last month and £1.7bn in the first nine months. Local government borrowed £300m last month and £400m in the first nine months.

Spending by government departments, that is, supply expenditure, was £8.6bn last month, giving a total £71.9bn for the first three quarters of the fiscal year. This figure is 7.5 per cent higher than spending in the corresponding period a year earlier.

The Bank of England yesterday announced the issue of £400m of short dated low coupon gilts. The 2.5 per cent Exchequer Stock of 1990 is to be issued by tender at a minimum price of £77 per cent.

The Bank has only small amounts of an index-linked stock of 2020 on offer, following exhaustion this week of an earlier taplet.

It will fill the gap left by the £300m of Treasury 3 per cent 1986, due for redemption in May, but is likely to be heavily sold before the new regulations for taxing accrued interest on gilts come into effect on February 28.

Swan Hunter managers buy warship yard for £5m

By IAN RODGER

THE MANAGEMENT of the Swan Hunter warship yard on the Tyne has bought the company from state-owned British Shipbuilders for £5m.

Swan Hunter, which has been plagued by strikes in recent years, employs 4,500. They will all be retained under the buy-out deal, which was concluded after 15 months' negotiations.

The buyout has been led by Mr Alex Marsh, Swan Hunter's managing director, supported by Mr Ken Chapman, former head of the yard, and Mr Roger Vaughan, the BS director for productivity.

About 30 other members of Swan Hunter's management will be involved in the consortium, which is backed by institutional

investors led by Candover Investments.

BS has agreed to offset the £5m sales price by accepting responsibility for a portion of the expected trading losses in 1986 and 1987 and for some of the planned capital spending to meet health and safety requirements.

It has also accepted a limited contingency liability should redundancies arise.

Swan Hunter is the fourth BS warship yard to be sold since the programme was announced in July 1984. Those still to be sold include Hall Russell at Aberdeen, Vickers at Barrow and Cammell Laird on Merseyside.

French bank to acquire broker

By JOHN MOORE IN LONDON AND DAVID MARSH IN PARIS

QUILTER GOODISON, the stockbroking firm headed by Mr Nicholas Goodison, chairman of the Stock Exchange, and Paribas, the French state-owned banking group, yesterday formally reached agreement for Paribas to acquire 100 per cent of Quilter Goodison in April.

Talks between the two became public last October and represent the second important deal in which Quilter Goodison has been involved since the start of the upheaval in London's financial community more than two years ago. No financial details have been disclosed.

In 1984 Quilter Goodison forged a link with Skandia, a Swedish insurance group which acquired a 29.9 per cent stake in the firm.

Skandia was prevented from increasing its stake under Swedish law, which prevents insurance groups from holding controlling interests in non-insurance concerns. Quilter Goodison was seeking more capital.

Paribas is to acquire the 100 per cent stake of Quilter

from Skandia and increase its stake to 100 per cent with effect from April.

Paribas intends to allow Quilter Goodison to operate as an independently structured business.

In a statement yesterday Mr Jean-Yves Haberer, chairman of Paribas, and Sir Nicholas Goodison, said: "Paribas considers it an important part of its international strategy to have a presence in the UK securities markets and in fund management in London and sees considerable commercial advantage in its direct investment in Quilter Goodison."

The acquisition comes at a time when French banks and stockbrokers are gearing up to face further competition from London securities houses.

Paribas already splits its capital market operations in areas like Eurobonds between London and Paris. The increase in the Paribas group's international share placement capacity may allow Paribas itself to play a bigger role in selling shares abroad in future flotations of state shareholdings.

The acquisition represents the third of three months' since the managers would be permitted to increase this charge up to

London stockbroking by French nationalised banks following the linking of Lawrence Prust with Credit Commercial de France, and of Strauss Turnbull with Societe Generale.

Henry Cooke Lumsden, one of Britain's largest regional stockbrokers, is reorganising its management structure and moving offices in Manchester ahead of the wider structural changes in the British securities market later this year.

Mr David Adams has been appointed managing director. Mr David Hunter, previously chairman and managing director, becomes executive chairman and Mr Adams assumes executive responsibility for overall co-ordination and control.

Henry Cooke Lumsden acted as regional co-ordinating stockbroker for the flotations of British Telecom, British Aerospace, Britoil and Cable and Wireless. It has not formed a link with an outside financial institution. We have been positive in our attitude to change and the protection of our independence," it said yesterday.

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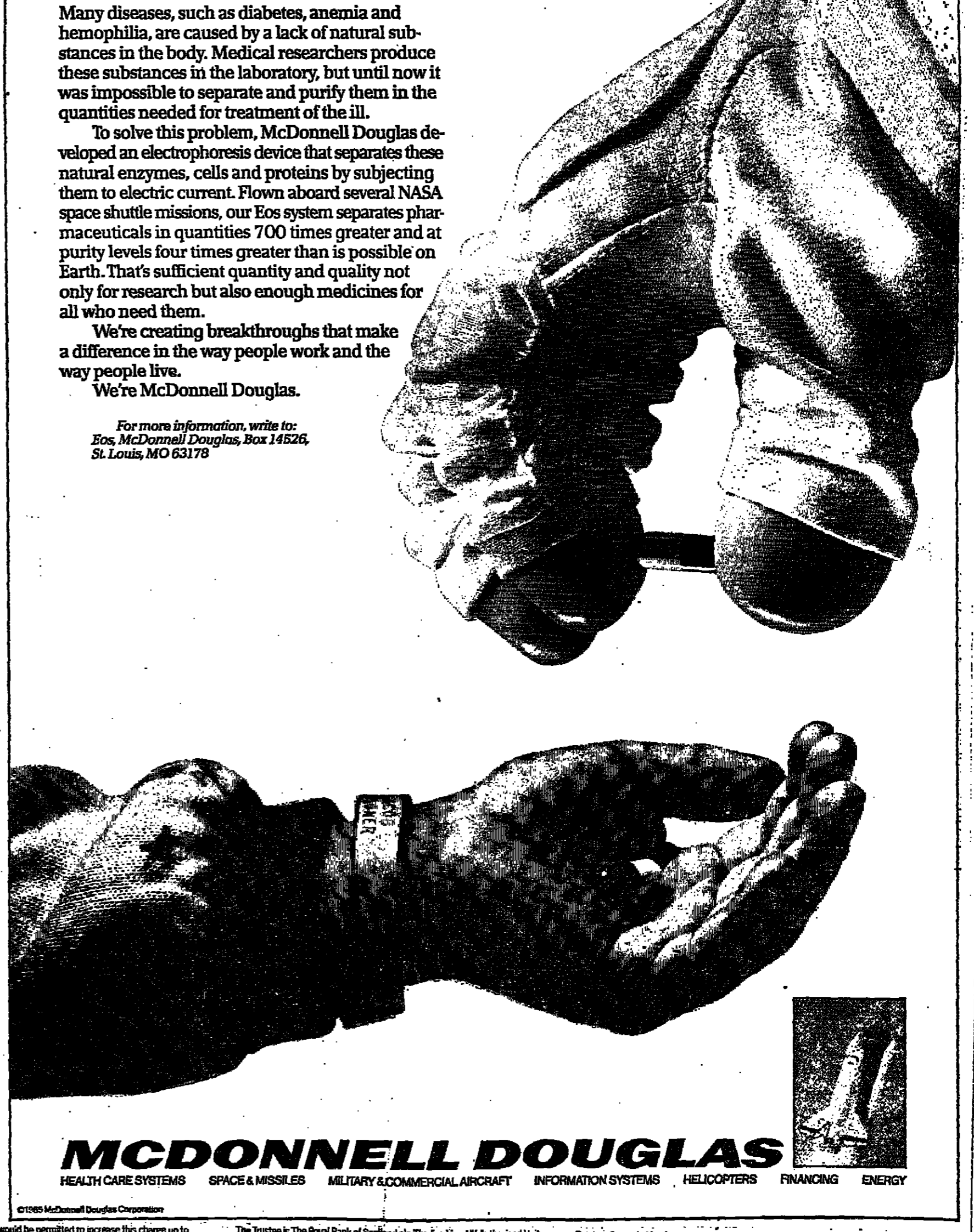
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Lawyers to seek public reaction to reform plans

By HAZEL DUFFY AND RAYMOND HUGHES

CONSUMER REACTION to proposals for radical reform of the legal profession would be taken very seriously, the Law Society said yesterday. A sub-committee of the society, set up to advise the Government and the Bar Council, will receive the report. The general public will be encouraged to give its views.

Mr. Roger Pannone, chairman of the sub-committee, said: "The committee believes that the Law Society should seize the initiative and stimulate discussion about change: the legal profession itself should be in the forefront of public debate and not a considerable distance behind everybody else."

Pressure for change is being put on the society by some solicitors. They believe that the society did not do well in the debate on conveyancing, of which solicitors have since lost their monopoly. It is unclear how much support they will receive from the general body of solicitors.

Central to the committee's proposals is a common system of training for lawyers, from which some would go on to qualify as barristers.

In the first two to three years after admission, lawyers would have rights of audience in tribunals and lesser courts only, but thereafter there would be no restrictions on rights of audience.

At the same time barristers would be free to have direct access to clients. It is expected that just as barristers now specialise, so would lawyers in general practice.

The Bar Council was not consulted in the formulation of the proposals, although it is expected these will appeal to junior barristers who would be salaried from the outset.

The senior bar, cannot be expected to show much enthusiasm for its loss of monopoly, even though barristers would gain right of access to clients.

The Law Society is to take a first step towards eliminating racial discrimination in the solicitors' profession. This year it will begin asking those applying to become trainee solicitors, and qualified solicitors applying for their initial practising certificate, to supply information about their ethnic background.

In this way, the society said yesterday, it hoped to gather information enabling it to monitor the professional progress of non-white solicitors.

Lawyers and the courts: time for some changes; Law Society, 113 Chancery Lane, London WC2A 1LP.

Brittan in call to resist trade curbs

By Christian Tyler, Trade Editor

THE GOVERNMENTS of the main trading nations must resist domestic pressures for import protection and brace themselves to make real concessions if forthcoming negotiations in the General Agreement on Tariffs and Trade are to have any chance of success, Mr. Leon Brittan, Trade and Industry Secretary, said yesterday.

His speech to the Royal Institute of International Affairs followed a statement on Thursday about the UK's negotiating objectives for the new GATT round, due to be launched later this year.

Mr. Brittan said Japan had to become "a mature, reliable and reciprocating partner," and the US should be ready to remove its existing restrictions to trade as well as resisting new ones.

The EEC had to recognise the problems caused by its import restrictions on steel, textiles and clothing, and by its subsidy of agricultural exports.

The better-off importing countries would have to give up some of their privileges in the interests of a better balance, by freeing and reducing their tariffs and submitting to other GATT rules.

Free trade, said Mr. Brittan, was threatened by "the phenomenon of demand for growth without change."

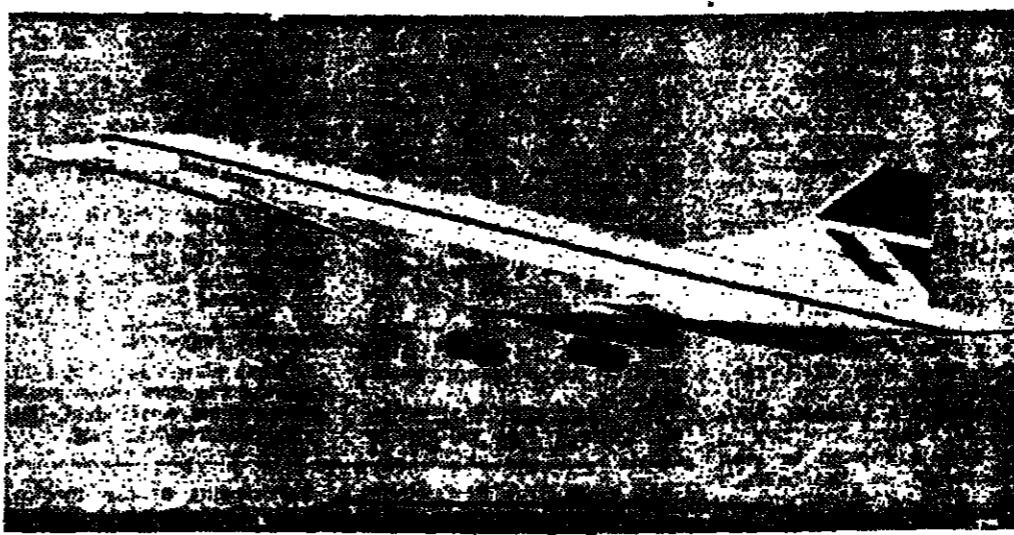
Linking trade policy firmly with domestic economic policy, the minister said: "The benefits of economic growth, including higher wages and salaries, have come increasingly to be taken for granted, while the change and adjustment that makes growth possible encounter increasing resistance."

Mr. Brittan listed what he called some "peculiarly American abuses" in addition to US restrictions on textile and steel imports.

They were statutory-backed discrimination against imports under the Tariff Act of 1930, sweeping safeguards first enacted by the 1974 Trade Act and the "manufacturing clause of the US Copyright Act forbidding the import of books in English by American authors."

Michael Dome assesses the record of the Anglo-French supersonic Concorde airliner

Ten years at twice the speed of sound



Terry Kirk

BRITISH Airways and Air France, the only airlines operating Concorde, are preparing for further growth in business with the supersonic airliner after 10 years of scheduled services.

They both expect more passengers on existing flights and an expansion of their lucrative charter businesses.

The aircraft is making profits for both airlines. Revenues from BA's scheduled and charter operations amount to more than £100m a year, £10m of it profit.

Air France's operating profits have risen from FF150m (£4.6m) in 1983 to about FF200m in 1985.

Load factors—the percentage of seats filled—with both airlines are high. Captain Brian Walpole, general manager, Concorde, for BA, says the load factor on the London-New York route is averaging more than 90 per cent. It can make money on load factors of between 40 and 50 per cent. The technical reliability is also high at over 95 per cent.

Air France reports load factors averaging 80 per cent on the Paris-New York route, with reliability and punctuality up to 99 per cent.

The Concorde entered service on January 21, 1976, with BA's London to Bahrain service and Air France's service from Paris to Rio de Janeiro via Dakar. Since then more than 2m passengers have flown Concorde.

Both airlines launched services to Washington on May 24, 1976 and New York on November 22, 1977. Joint BA/Singapore Airlines flights to Singapore via Bahrain began on December 9, 1977.

In January 1979, the BA Washington flights were extended to Dallas/Fort Worth.

Concorde takes off from Heathrow on its first scheduled service flight to New York.

There is an eighth at Filton, near Bristol, the home of British Aerospace. It is a "spare pool" and is unlikely to fly again.

Air France has five in regular service. There is a sixth available if needed and two as "spare pools." They are able to be returned to service.

There are two in air museums in Britain and two in French museums, including OOL, the first Concorde to fly.

Two airframes were built, one for fatigue testing, the other for static testing. Neither flew.

The aircraft with the most flying time in the BA fleet has 10,000 hours to its credit. Of the 60,000 hours flown so far by BA's seven Concordes, about 40,000 hours have been flown at supersonic speeds. Most of that has been at more than twice the speed of sound—at about 1,300 mph.

Both airlines have studied new scheduled routes but none has been decided. BA is yet to decide on a third daily service to New York.

One reason is that charter work for both airlines is taking up an increasing amount of Concorde time. BA expects to undertake more than 100 charters in 1986 and Air France 70.

BA's programme includes flights for Cunard's QE-2 world cruise programme and many for companies, clubs and other organisations, some for short trips round the Bay of Biscay, others to Sydney, Hong Kong and other places Concorde does not visit in scheduled service.

After 10 years in service Concorde has demonstrated that many of the original fears of environmentalists about its noise, pollution and other problems have proved either groundless or less severe than expected.

The most frequent objections are still about the aircraft's noise, but even those are fewer than expected. Some complaints are still made by residents around the airports used by Concorde but because of careful flying disturbance is kept to a minimum.

BA and Air France expect Concorde to remain in service for another 10 to 20 years. Captain Walpole believes that, because of its comparatively low utilisation (about 1,200 hours per aircraft per year) it is more likely to be 20 years.

In the 1990s the question is likely to arise whether a second-generation Concorde, or a new type of supersonic or faster "hypersonic" airliner will emerge.

All the major airliner manufacturers have kept in touch with supersonic/hypersonic technology and know that given the money, they could build a bigger, faster, longer-range airliner to replace Concorde.

The cost, however, would run into billions of dollars. Such money could come only from governments, on an international basis.

There is little indication of any government enthusiasm for such a programme. In the US, however, there are signs that aerospace policy planners are aware of the likely need for such an aircraft for trans-Pacific flights late in this century or early in the next.

The aerospace industries have not given up hope. Their view is that, having come so far, it is unthinkable that the Concorde era could end with nothing in its place.

Press group to shed jobs

By ARTHUR SMITH, MIDLANDS CORRESPONDENT

THE Birmingham Post and Mail, the privately owned regional newspaper group, yesterday announced plans to cut its workforce by 250, to a level of 1,150. Talks will be held with staff over the next few weeks on where cuts will fall.

The morning and evening newspaper operation has seen circulation fall in recent years, with the regions economic

decline. Advertising revenue has been hit by the launch in October, 1984, of the Birmingham Daily News, a giveaway paper in which Reed International is the biggest shareholder.

Reed has said it would consider launching three newspapers in other cities, conditional on a review of the profitability of the Birmingham operation this October.

Public houses seek funds

By NICK BUNKER

THE ENGLISH public house may provide investors with a fresh opportunity following the launch today of Surrey Free Inns, a company intending to raise £4m from individual investors under the Government's Business Expansion Scheme.

The company, which is backed by Johnson Fry, a sponsor of Business Expansion Schemes, aims to purchase up to 25 public houses in Hampshire, Surrey and Sussex areas. They are expected to be located within three to five miles of commercial centres, such as Guildford.

One public house in Piltown, East Sussex, has already been acquired. The company's directors believe that each inn will have an annual turnover of £200,000 in the first year of trading, rising to £300,000 in the third year.

Each public house will be free from ties to particular breweries and will provide high quality meals.

Branson in air freight venture

MR RICHARD BRANSON, chairman and founder of Virgin Atlantic Airways, has launched a company to take control of the airline's air freight business.

Virgin Aviation Services will be responsible for the sales and handling of cargo for Virgin Atlantic, work which has been done by an independent general sales agency.

Virgin Aviation Services will also negotiate cargo interline agreements between Virgin Atlantic and other airlines

OBITUARY

Brian Lawrence

BRIAN LAWRENCE, managing director from 1981 to 1983 of St Clements Press, the company which prints the Financial Times, died yesterday. He was 49.

Mr Lawrence joined the company in 1977 and was one of the moving forces behind the setting up in 1979 of the printing of the FT in Frankfurt.

A Londoner, he started in the printing industry from school. He became experienced in press installation, and had a hand in the introduction of

new presses in Moscow for Pravda, the Soviet Communist Party newspaper.

Mr Frank Barlow, chief executive of the FT said yesterday: "He made a tremendous contribution to the FT during his six years here."

"He brought humour and unfailing cheerfulness to everything he did."

Mr Lawrence joined Times Newspapers in 1963 as deputy managing director.

He leaves a wife, Jeanne, a daughter and two sons.

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APPOINTMENTS

New chief for Woolworth subsidiary

WOOLWORTH HOLDINGS has appointed Mr Jim Hodgkinson as managing director of B & Q DIY. He is currently operations and personnel director of B & Q. Mr Geoff Mulcahy, group managing director of Woolworth Holdings becomes chairman of B & Q. Mr Alan Jones, B & Q's director of property and Mr Derek Pretty, group finance director of Woolworth Holdings are appointed to the B & Q board. These changes follow the death of Mr Allen Foster in December.

MEDISCUS PRODUCTS, a subsidiary of Lingard Industrial Holdings, has appointed Mr David Pollington as managing director. He was director general of the British Health-Care Export Council. Mr William Ross, vice president of the American subsidiary of Mediscus, has also been appointed to the board. Mediscus Products Inc, California, has appointed Mr Ross, Mr Ken Noden and Mr Pollington to the board.

Mr H. R. L. Lumley has been appointed chairman and chief executive of EDWARD LUMLEY HOLDINGS following the retirement of Mr R. E. W. Lumley who will continue on the board.

as a non-executive director. Mr A. E. R. Jones has retired as a director, but will remain as a consultant and a director of certain subsidiary companies.

Mr J. S. Harvey, Mr J. Jervis and Mr P. E. Lumley are the executive directors of Edward Lumley Holdings. Mr J. A. S. Leighton-Boyle has joined the board as a non-executive director. Mr H. Lumley has become chairman of Edward Lumley & Sons following the retirement of Mr R. Lumley, who will continue as a non-executive director. Mr Jones has retired from the board. The joint managing directors are Mr Harvey and Mr Jervis.

Mr Anthony Butler has been appointed a part-time member of the POST OFFICE BOARD. He is finance director of the Dee Corporation.

VALLANCES has appointed Mr William Speer as director of finance. He joins from the Clydesdale Group where he held a similar position.

Mr David Travers has been appointed managing director of DPE HOLDINGS. He replaces Mr Keith Meadows who remains a director. Mr Travers was managing director of the UK subsidiary and also group operations director of the other subsidiaries.

Mr Colin Founds has been appointed finance director at NCCS moving over from another of the NCCS subsidiaries — Tempco Union.

Mr Paolo Tarantelli has been appointed an assistant director of J. HENRY SHERIDAN WAGG & CO, where he will be responsible for capital markets business in Italy and Spain and for certain clients in Switzerland. Mr Tarantelli was previously at S. G. Warburg & Co.

main board. Mr McGuckian has been a member of the main board of Allied Irish Banks for the past nine years and is also deputy chairman of Ulster Television.

Mr Victor Knowles has been appointed senior consultant and actuary with PROFITA (FINANCIAL MARKETING). He was formerly assistant general manager with the Canada Life Assurance Company.

Ms Anne Whitby has been appointed managing director of CHART ANALYSIS. She was director of research.

TRANSATLANTIC INSURANCE HOLDINGS has appointed Mr John Michael Middlemas as managing director. He will continue to be the executive director of the Liberty Life Group responsible for international operations.

WILSON (CONNOLLY) HOLDINGS has appointed Mr Michael John Hollingbery as a non-executive director. He is chairman of Comet Group and a director of Woolworth Holdings.

Mr Vivian Chadwick, regional operations manager for SCOT-RAIL, has been promoted to deputy general manager. He succeeds Mr Jim Cornell who took over as general manager at the beginning of the year.

Mr John Preston, group treasurer of The Imperial Group, has been appointed a non-executive director of D. C. GARDNER & CO.

PRICE WATERHOUSE has appointed Mr C. Paul Lorn to the Glasgow office as a managing consultant. He was with the P-E Consulting Group.

STANDARD CHARTERED has appointed Mr John P. Harrigan and Mr Philip H. Robinson as directors of the company and of Standard Chartered Bank. Mr Harrigan is chairman and chief executive of Standard Chartered's subsidiary in California.

fornia, Union Bank. Prior to joining Union Bank in 1980 Mr Harrigan was president of Western Bancorporation (now First Interstate Bancorp). Mr Robinson is chairman of Sunbury Investment Company, a director of Standard Chartered Bank, trustee of Municipal Mutual Insurance. He was a director of J. Henry Schroder Wagg & Co, from 1966 to 1985, executive vice president of Schroder International from 1977 to 1985, chairman of Schroder Leasing from 1979 to 1984 and a member of the National Coal Board from 1973 to 1977.

FRASER WILLIAMS GROUP has appointed Mr John Cadge to the board.

Mr Bob Economy has been appointed managing director of W. J. OLDACRE, major subsidiary of Oldacre Holdings. He was formerly with Crabtree Electrical Industries, a subsidiary of Hanson Trust.

Mr Tony Forwell, managing director of Forwell Advertising, has resigned and joined LAVERIE ROWE ADVERTISING.

Mr Graham Foulkes has been appointed personnel director of GILDEN WONDER. He was employee relations manager.

Mr Rodney Lonsdale has been appointed a director of COUNTY BANK, merchant banking subsidiary of National Westminster Bank, with responsibility for personnel. He joins from Midland Bank where he was personnel manager, group treasury.

The A. L. DUNN GROUP has appointed Mr John Derek Cheese as manufacturing director and Mr Christopher William Smeall as sales and marketing director.

Mr S. M. P. Bowden has been appointed managing director of FOTHERGILL ENGINEERED FABRICS following the retirement of Mr L. A. Pickup. Mr Bowden was managing director of H. D. Symons & Co, another Fothergill & Harvey subsidiary.

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UK NEWS

SOCIAL SECURITY BILL

Actuary calculates pension costs

BY ERIC SHORT

THE SOCIAL Security Bill published yesterday is a reproduction of the White Paper proposals published last week.

The bill's main provisions are:

- The introduction of personal pensions with the right of all employees to opt out of their employers' scheme and State Earnings Related Scheme (SERS) and have their own pension.
- Changes to existing occupational pension arrangements, including an incentive payment for new schemes for the first five years.
- Changes to social security benefits including the introduction of the Social Fund, Income Support and family Credit.

The bill is accompanied by the report of Mr Edward Johnston, the Government Actuary, on the effect of the changes on the finances of the National Insurance Fund. This sets out the most detailed calculations yet disclosed on the future costs of providing state pensions.

Mr Johnston says that the main argument used by Mr Norman Fowler, the Social Security Secretary, for modifying SERS was the increased costs in the next century as a result of the rising numbers of pensioners and fewer employees to support them.

The Government Actuary has produced two sets of calculations, one assuming state pensions are revalued in line with prices—which is the present situation. The second set assumes that pensions are revalued in line with the rise in earnings—the situation before 1980, which the Labour Party is pledged to restore.

The calculations show that if SERS was left unchanged, costs would rise rapidly at the turn of the century to reach £53.5bn on a price basis and £83.8bn on an earnings basis.

The calculations assume that prices would rise on average by 5 per cent a year and that earnings increased by 1.5 per cent a year more than prices. These

ESTIMATED BENEFIT COSTS OF THE NATIONAL INSURANCE FUND* (£bn at November 1985 prices)									
	1993-94		2013-14		2033-34		2053-54		
Retirement pensions	18.5	18.5	29.3	26.7	48.9	34.6	52.8	35.1	17.7
Widows' benefits	0.9	0.8	1.1	0.8	1.3	0.8	1.5	0.9	0.6
Invalidity benefits	2.0	2.0	3.0	2.8	3.5	3.0	4.1	3.3	0.8
Other benefits	2.1	2.1	2.0	2.0	1.8	1.8	1.8	1.8	—
Total	23.5	23.4	35.4	32.3	55.5	42.2	60.2	41.1	19.1

* Assuming all pensions are updated in line with price increases.

figures highlight the effect of this 1.5 differential over long periods.

For the next 20 years costs would rise more slowly to £60.2bn on a price basis and £103.8bn on an earnings basis as demographic factors arising from a lower birth rate settled down.

Under the modified SERS, costs would rise only to £43.2bn on a price basis by the year 2033-34—a savings of £13.5bn—while by 2053-54 savings would amount to £19.1bn. Savings on an earnings basis through modifying SERS would be around the same level.

However, absolute cost is just one side of the financial equation. If earnings did rise faster than prices then the ability of employees to meet higher costs would be greater.

The report shows that should the proposals be implemented from April 1988, SERS contributions would rise from 14.5 per cent of earnings in 1983-84 to a peak of 18.5 per cent in 2033-34 on a price revaluation, thereafter declining to 15 per cent by 2053-54.

Mr Fowler has always maintained that the cost burden of SERS was too great for future generations to pay. However, under the modification and with the introduction of personal pensions, the contribution rate would rise immediately to as high as 15.2 per cent if more employees opted out of SERS, but thereafter contribution rates would decline.

However, if pensions are revalued in line with rises in earnings a different picture is presented. Under the existing

ESTIMATED JOINT RATES OF CONTRIBUTION* IN RESPECT OF EMPLOYED EARNERS (BEFORE REDUCTION FOR THOSE IN CONTRACTED-OUT EMPLOYMENT) (per cent of earnings)

Year	Existing scheme	Revised scheme	
		Ultimate additional numbers contracted-out	5m
Price updating			
1993-94	14.5	14.8	15.2
2013-14	14.3	14.2	14.4
2033-34	15.4	14.4	14.6
2053-54	16.8	14.5	14.6
Earnings updating			
1993-94	15.8	16.1	16.5
2013-14	17.2	17.2	17.2
2033-34	20.0	19.0	19.2
2053-54	23.4	21.0	21.1
2033-34	27.3	23.1	23.0
2043-44	25.3	20.9	20.6
2053-54	24.2	19.9	19.7

* Excluding Redundancy Fund, Maternity Pay Fund and NHS Act contributions.

the existing scheme and about 0.7 per cent higher in 2033-34 for the modified scheme.

The report also shows the effect of higher earnings growth—2 per cent over prices—and lower earnings growth—0.5 per cent over prices.

The latter would increase rates by more than 2 percentage points. It also deals with mortality changes and lower fertility assumptions.

The assumption is a fertility rate of 2.1 children per woman—just sufficient to replace the population—compared with the present 1.8 children per woman.

Government Actuary's report, Cmd 9711. HMSO, £3.40.

LABOUR

Talks due on planned strikes in hospitals

By David Brindle, Labour Staff

TALKS HAVE been arranged at the conciliation service Acas in an attempt to avert planned strike action by hospital maintenance workers.

The move to head off the action came yesterday as the electricians' union EETPU announced a preliminary list of 24 hospitals where its members would strike from February 10.

Mr Barney Hayhoe, Health Minister, said later: "Industrial action planned or contemplated by the union must surely not occur while negotiations continue. I would strongly deplore a strike or disruptive action that involves the risk of harming patients."

A ballot of the EETPU's 10,000 members in the National Health Service has produced a two-to-one majority for strike action over what the union says is the breaking of the traditional pay link with the electrical contracting sector.

The union has rejected a 4.7 per cent pay offer, accepted by other NHS workers, linked to a revised pay structure. It says it wants 6 per cent—paid in the form of a bonus—before it will discuss pay restructuring.

Mr Peter Adams, the EETPU's national officer for public services, said NHS management had accepted the union's suggestion of going to Acas for conciliation in advance of the planned strikes.

He made it clear, however, that the strikes would begin no later than February 10 to comply with the Trade Union Act's stipulation that industrial action must begin within four weeks of the date of a ballot on the issue. As many as 10 further hospitals would then be added to the strike list, he said.

The list announced yesterday includes Guy's Hospital and the Royal Free in London; South Mead and the Royal in Bristol;

Murdoch lays contingency plan for paper distribution

BY HELEN HAGUE AND DAVID THOMAS

MR RUPERT Murdoch's News International has laid contingency plans to distribute all four of the company's newspapers in the event of conflict with print unions.

The Sunday Times is printing a 24-page Jobs for Britain supplement at the Wapping plant in east London for inclusion in tomorrow's paper.

The Central London branch of the print union Sogat '82 has refused to handle the extra section. It will be distributed in the London area by the road transport group TNT direct to 7,000 retailers.

Mr Bruce Matthews, managing director of News International, speaking on BBC Radio yesterday, said that in the rest of the country: "We've been given assurances by the wholesaling system that they have no objection to taking the fourth section in, so they will be conveyed by normal methods to the wholesalers."

Normal distribution methods would involve British Rail. The National Union of Railwaymen

said there had been no decision to block any material printed at Wapping, however, there might be unofficial action at some of the more militant depots.

The Transport and General Workers' Union last night sought an urgent meeting with TNT about its plans.

Mr Bill Morris, deputy general secretary designate, said the union had an excellent relationship with TNT but said: "I can't imagine that TNT will want to damage its relations with the TGWU for the purpose of a short-term expedient exercise."

He added: "The TGWU could not stand idly by and see itself as a corporate body or be used to impose draconian agreements on colleague trade unions."

Sogat '82 and the National Graphical Association are expected to announce overwhelming majorities in favour of industrial action at News International at a joint press conference on Tuesday.

Last night the unions' leaders and Mr Eric Hamond, EETPU

general secretary, were at a reconvened meeting under the auspices of the TUC in an attempt to forge a common approach to recognition by News International at Wapping.

Tomorrow's Sunday Times business section is scheduled to include a 12-page feature and advertising special on the Wapping plant. It would include a question and answer interview with Mr Murdoch. In the feature he says that distribution of his titles—The Sun, the News of the World, the Sunday Times and the Times—could go ahead without the help of Sogat.

He said contingency plans to distribute all the papers had been made and that it was possible to print all four titles at Wapping although the presses there were insufficient. The Sunday Times National (office branch) yesterday voted to seek to work normally from head office in Grays Inn Road, London, and that no member would work elsewhere without prior chapel approval.

Ford workers threaten action

BY DAVID THOMAS, LABOUR STAFF

FORD manual unions have threatened industrial action if the company does not make an improved pay offer next Thursday.

The union side of the Ford negotiating committee yesterday received the final result of a secret ballot of the company's manual workers on the latest pay and productivity offer.

The workers voted by 20,578 to 9,100 to reject the offer and in favour of industrial action. None of the unions voted in favour of the offer. The ballot had an 86 per cent turnout.

Only two of Ford's 22

establishments—the Southampton commercial vehicles plant and the Duntun research facility—voted against action.

Mr Mick Murphy, chairman of the negotiating committee, said: "We expect the company to meet us next Thursday with an improved offer."

Mr Jimmy Airlie, committee secretary, said: "We'll either accept the company's improved offer or reject it and decide to embark on industrial action."

The company's offer, which it described as final before Christmas, is for a two-year deal. The first year would see

a 3 per cent increase on basic rates plus an extra 2 per cent for about 10,000 assembly line workers, with an extra 4 per cent all round on other radical changes in working practices.

In the second year, there would be a further 6 per cent rise all round.

Some members of the negotiating committee yesterday pressed for a date to be set for early industrial action but the majority agreed to await the outcome of the meeting with management.

Ford declined to comment, except to confirm that it would meet the unions on Thursday.

Commercial paper mart launch likely

By Alexander Nicoll

A MARKET in sterling denominated commercial paper is expected to be launched within the next few months as a result of regulatory changes under consideration at the Bank of England.

Commercial paper would provide the largest and most credit-worthy UK companies with a low-cost, short-term funding source as an alternative to bank loans or the acceptance of trade related bills by banks.

Many British companies, as well as merchant banks keen to act as issuing dealers, have expressed interest in the creation of a market along US lines. There companies seeking to cover short-term funding needs issue paper largely to other companies which have temporary surpluses of funds.

Several European countries have recently permitted commercial paper issues, though neither they nor a British market are likely to match the \$250bn (£151bn) size of that in the US.

Councils told to dispose of unused public land

BY PETER RIDDELL, POLITICAL EDITOR

SIXTEEN ENGLISH local authorities were told yesterday by the Department of the Environment to start disposing of 135 acres of unused or under-used land they own.

The order marks a further stage in the Government's drive to bring the large amount of such land owned by public bodies into use.

In a speech to coincide with yesterday's moves, Mr John Patten, Minister for Housing, told party workers in Fareham that he would "no longer tolerate the slow rate at which local authorities and nationalised industries are bringing this unused land into use."

He said such land could be used "to bring back jobs to inner areas, to help make housing choice more of a reality in the inner cities and to take pressure off the Green Belt and the countryside."

The latest direction is based on the Department's register of unused and underused land. Mr Patten said more orders would be issued each month this year.

Walter Ellis writes: Mr Richard Tracey, Under Secre-

TSB opens West End branch

By Margaret Hughes

THE Trustee Savings Bank Group yesterday opened its first West End branch at 115 Regent Street. Like other TSB branches this opens from 9.30 am to 4 pm but its foreign exchange bureau stays open until 5.30 pm.

The opening is part of the group's expansion strategy in the south of England, where it has traditionally been less strong.

Mr Leslie Priestley, chief general manager of TSB England and Wales, said the bank would be pushing heavily in this region. The bank has a 1,250-branch network but only 200 in the south. It plans to increase their number substantially over the next five years.

Redfearn profit

AN ARTICLE in the issue of January 11—Government sponsors glass bottle study—implied that Redfearn National Glass had made a loss last year. In fact, the company returned a profit in the year to September 1985 with pre-tax profits of £1.09m. We apologise for the error.

Settlement of Midland computer dispute likely

BY OUR LABOUR STAFF

A DISPUTE which has disrupted the Midland Bank's computer centres looks likely to be settled on the basis of a formula reached this week in talks at Acas, the conciliation service.

Leaders of the Banking, Insurance and Finance Union and the technical staff union ASTMS are recommending acceptance of the formula, which includes an increase in shift payments said by the bank to be worth 30 to 31 per cent on top of present rates.

The bank said yesterday it had also agreed to offer alternative work to all staff affected by the rundown or closure of any of the three computer

Seamen to disrupt sailings of BP's tanker fleet

BY OUR LABOUR STAFF

THE National Union of Seamen is launching a campaign of industrial action to disrupt sailings of British Petroleum's tanker fleet in protest at new contracts being offered to the ships' crews.

The contracts have been drawn up by three international manning agencies appointed by BP to take over crewing in order to stem losses. The 1,690 crew are being made redundant and offered first choice of jobs with the agencies, which expect to employ one-third fewer people.

Both the NUS and the officers' union, Numast, are concerned about the terms of the contracts, which, they say, reduce job security and union representational rights.

Government to review approach to teachers' disputes

BY PETER RIDDELL, POLITICAL EDITOR

THERE may be attempts to revive the Department of Education and Science's call for a wideranging inquiry covering the teachers' pay structure and negotiating framework as well as conditions and duties.

This proposal gained some support from other departments before it was rejected at a ministerial meeting a month ago.

However, some ministers still believe it is impossible for the Government to win the disputes in England and Wales and Scotland and that a new initiative must be taken.

Their view has been reinforced by the comments of MPs returning from their constituencies after the recess and reporting increased impact of the disputes.

The NUT and the NAS/DWT, the second-biggest teachers' union, today stage special conferences which will debate disrupting school examinations.

Lygo-Brittan letters

THE DEPARTMENT of Trade and Industry yesterday issued the texts of the correspondence between Sir Raymond Lygo, managing director of British Aerospace and Mr Leon Brittan, Trade and Industry Secretary. The texts were issued by agreement with British Aerospace.

Sir Raymond wrote to Mr Brittan: "Dear Secretary of State, As we have stated publicly British Aerospace regrets the controversy which has developed over what was said at the meeting held in your office on January 8, 1986, and of course I totally share that view."

We have not sought this situation nor at any time has the company or I sought to question your integrity. I question your integrity. I understand that likewise you are not questioning my own integrity either personally or as the chief executive of British Aerospace.

In the House of Commons, in answer to questions, the Prime Minister did not demur from the view that there must have been a misunderstanding of the remarks you made to me at the meeting. I understand that you have since expressed your assent to that general proposition.

I welcome this. If, indeed, you said only that it was in the national interest that the present uncertainty over Westernland's future be ended as soon as possible and not, as I previously understood you to say, that the continuing controversy on behalf of the European Commission was against the national interest, I would accept that.

Yours sincerely, Ray Lygo.

Mr Brittan replied: "Dear Sir Raymond, Thank you for your letter of today's date. I am most grateful to you for writing. I believe the misunderstanding between us has now been cleared up. Certainly I have not questioned your integrity, either personally or as chief executive of British Aerospace. Yours sincerely, Leon Brittan."

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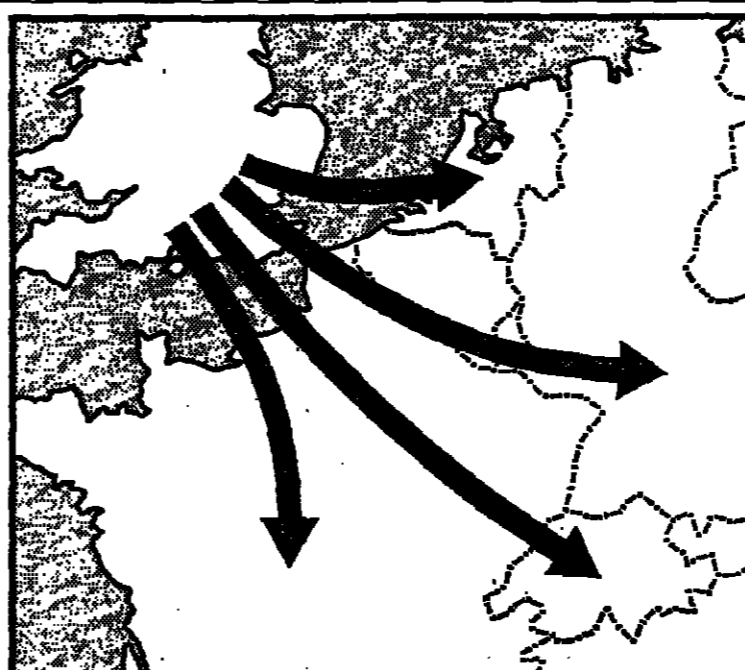
Increasing recognition of the ECU as the common currency of the EEC provides an opportunity to invest in bonds generating higher returns than bonds of many of the member countries, with less currency risk, since the ECU is a basket currency.

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GENERAL INFORMATION The minimum initial investment in EFM EuroFund is £500. Subsequent investments may be made in amounts of at least £50. The price of units under this offer is 25p. After 31 January 1986 (or earlier at the Managers' discretion), the fund will be valued and units will be purchased or sold back at prices calculated daily. Prices will be published daily in The Financial Times and some other newspapers. An initial charge of 5 per cent is included in the offer price.

The managers are entitled to a rounding adjustment to bid and offer prices of up to 1% (or 14 pence per £100). This does not apply to the first offer of units at 25p. Income net of basic tax is distributed half yearly on 15 February and 15 August. The first distribution will be on 15 August 1986. The estimated gross starting yield at the initial offer price of 25p is 4.5 p.a. The Managers are EFM Unit Trust Managers Limited (Member of the Unit Trust Association).

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FINANCIAL TIMES

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Saturday January 18 1986

Flirting with the oil cartel

WHEN ECONOMISTS come to look back on the second week of 1986, they may be much less interested in anything Mr Leon Brittan did or not say (despite a couple of cogent speeches on trade policy) than in just what Sir Geoffrey Howe, the Foreign Secretary, did or did not say when he held talks about talks with the Saudi Arabians.

The outcome, an agreement to talk about oil at some unspecified future date, with an unspecified agenda, is baffling even the most expert commentators; but the issue is of such importance that it is worth ruminating about what ought properly to be the subject to such talks—if indeed they should be held at all.

Crisis

The background is familiar, but is not at the moment arousing as much excitement as might be expected. When Opec met in December and announced that it was more concerned with market share than with oil prices, the markets reacted quite sharply, and we had a sterling crisis as a result; prices might fall on a bed, with grim implications for Britain's revenue. Even the rhetorical threat was upsetting.

By now it is clear that the threat was no rhetorical at all. The Saudis, whose production restraints have effectively underpinned the world price, are now making up for lost time, and pumping far more oil than their agreed rate of production. As a result, the oil price is indeed falling out of bed.

Brent crude for May delivery has been changing hands this week at \$21 per barrel, nearly 20 per cent below the "low price" assumed by the Treasury forecasters in their calculations for the Chancellor's Autumn Statement. Market men are now seriously discussing oil at \$18 or less next summer—again, 20 per cent down on previous "low" estimates. A plausible case can be made for lower figures; and the dollar itself has fallen about 20 per cent since the autumn.

For the world economy as a whole, this ought to be a cause for straightforward rejoicing, but it isn't. First, the expert consensus is still that the oil glut is a passing phase, and prices will be back to oil shock levels within a decade, so that a price fall now will simply discourage new exploration and economy measures, and make things worse later.

The trouble with this view is that the experts repeatedly get their long forecasts wrong—and even their short ones. It is not much more than three months since the price was

rising, because the major refiners were rebuilding their stocks, so the experts may well be wrong about long term trends too. We are still, after all, only beginning to replace the world's stock of vehicles, aircraft and buildings with energy-efficient models. Demand could decline for a long time.

It is because of imponderables like this that the British Government has always been reluctant to second-guess the industry and interfere with production levels; after all, the companies are quite capable of shutting down some wells themselves if they believe that the output will fetch a much better price later. Since this also sounds like the market ideology of the present Government, the British policy of non-interference has been regarded as fixed.

However, the policy really has nothing to do with market freedom, because the market has been fixed all along. We have in effect left things to the Saudis; and critics may later concede that we were heavy to leave things to them as long as they held the oil price (and our oil revenues) at a high level, but we were apparently ready to discuss prices and production as soon as they pushed the other way. Certainly that is how the Saudis have seen it, and that has been the aim of their recent strategy.

Struggle

This is partly, then, a struggle for power, which is why the price is so volatile, and may become more so: traders are betting on how far the Gulf producers will be willing to push. Opec waits a managed market to benefit all producers, but wants the burden of management shared.

This may sound fair, but it makes no economic sense. Opec should have realised when it started pushing the price up so spectacularly that it would inevitably lose part of its market. The economics of production are such that an expensive marginal field, in which huge amounts of capital are tied up, must produce fast as long as there is any profit in it. It is only low-cost producers, with far less capital at stake, who can afford to wait. In an ideal world, we would tell them that the present confrontation is irrational, and against their long term interest.

However, embattled politicians who see their tax revenues prospectively vanishing, or US bankers who made large loans on the "expert" view that oil was headed for \$50 a barrel, cannot always afford to take correct long-term views. Perhaps we are too busy to fight with the monopolists.

IT WAS yet another hint. Deep inside the Anglo-French government machine, an official whispered that the vote had gone in favour of the rail-only-now (perhaps) road-later Channel Tunnel group, thus ending the year-long scramble among would-be builders of a fixed-link across the Channel.

Last night, the official version, in both London and Paris, remained that it is still a three-horse race, whose winner will not be selected until further talks have been held this weekend. Some say the final shape of the proposal will not really be determined until Mrs Thatcher and President Mitterrand meet in Lille on Monday.

Despite the strong indications that CTG has emerged the victor, all three protagonists in the battle for one of the largest civil engineering projects ever mooted are bound to suffer a nail-biting weekend.

Whatever the outcome, the race could hardly have been more intriguing. It has pitted the suave and urbane City figure of Sir Nigel Brookes, head of both Trafalgar House and the EuroRoute Channel scheme, against Sir Nicholas Henderson of CTG, the sometimes sartorially crumpled but never less than intellectually formidable ex-UK ambassador to Washington at the time of the Falkland Islands crisis. Both have struggled in recent days, however, to comprehend and combat the wiles of Mr James Sherwood, the maverick shipowner, chairman of the Channel Expressway group and of Sea Containers.

In France, it has been Mr Jean Paul Parayre, the elegant former chairman of Peugeot on behalf of France-Manche (the French end of CTG) against Mr Jacques Mayoux, chairman of Société Générale, the state-owned bank and head of the French EuroRoute team.

The three schemes in contention are significantly different in concept: Channel Tunnel Group's £2.6bn project is a rail link; EuroRoute's is a bridge and tunnel scheme estimated at £5bn, while Channel Expressway wants to build a road and rail link at a cost of £2.55bn. Eurobridge, the £5.2bn covered bridge project, has already been ruled out as too costly, awkward and unsightly.

Mrs Thatcher and Mr Mitterrand have both expressed their wish to leave behind them a grand project for the future, so there is little doubt that some form of link will be chosen. CTG's apparent emergence as the option most acceptable to both sides and to potential investors lies in its relative cheapness and simplicity.

The battle to succeed has led to frantic last-minute efforts by those consortia still in the race to reassert their cases to the two governments, while politicians have been hard-pressed to come to conclusions.

In Britain the ambitious EuroRoute scheme, conceived as a way of using steel and construction capacity and providing jobs in industrial parts of France and England, has lost favour to both CTG, which not only appears easier to finance but is likely to be less of a blot on the land and seascape, and to Channel Expressway.

Opponents of Channel Expressway have attacked its claims about adequate ventilation for its road tunnel and said it will cost over £5bn. But

it seems to appeal to the UK Government because, like EuroRoute, it offers people the option to drive vehicles across the Channel. CTG would put them on a rail shuttle, though it has said it may consider a road later.

As it seemed to be slipping in the race this week, Sir Nigel Brookes of EuroRoute suggested a compromise to rival CTG.

But Sir Nicholas, who reckons trying to push through a tunnel scheme is far tougher than arguing the Falklands case—that was only 74 days turned down by Sir Nigel's approach flatly on behalf of CTG's UK and French shareholders.

Sir Nigel's plan, which he said would save time and money, meant EuroRoute building its bridge and immersed tube tunnel for the motorway and CTG building the rail link through a bored tunnel.

Meanwhile Mr James Sherwood, of the Channel Expressway project, has been buoyantly expressing confidence and claims to have lined up new French participants to offset French antipathy to the scheme.

The last-minute hustle of activity emphasises the difficult task the governments have set themselves by agreeing to take the decision so quickly. France

is keen to give the go-ahead before the March general elections, but Britain has been distracted by the Westland imbroglio which has taken up most of the Government's time and the public's attention.

A decision in Lille to postpone the choice would be a loss of face for the two leaders. The debate has only been over which scheme should be chosen, since the political impetus behind a fixed link has obscured arguments on whether one is necessary at all.

"I wouldn't be surprised," said Sir Nicholas on Thursday, "if Mrs Thatcher and President Mitterrand still had to sit down and negotiate in Lille."

That might even now not be too far from the truth. Though the final differences have just been thrashed out in Paris by the two transport ministers, UK officials stayed behind after Mr Nicholas Ridley, Transport Secretary, flew back from his meeting with Mr Jean Auroz, the French Transport Minister.

The two men sat down on Thursday night over a dinner of scallops and veal at the handsome French transport ministry on Boulevard Saint Germain to prepare the ground for the Lille meeting.

In London Mr Ridley has tried gently to ease the groups towards some form of rapprochement. Last week he saw Sir Nigel, Sir Nicholas and Mr

Sherwood separately. This week Sir Nigel wrote to Mr Ridley about his co-operation offer to CTG.

Sir Nicholas, for CTG, meanwhile wrote to the Prime Minister before the Thursday cabinet meeting, which discussed the fixed link, stating the project could be expanded later, if traffic warranted it and the right technology was available for a long road tunnel.

While Mrs Thatcher and Mr Ridley are thought to want a road link, the problems of building a long road tunnel are immense. Channel Expressway says it has hatched them, with its Japanese system of electrostatic precipitators to remove smoke particles.

Opponents say the technology has never been proven for such a long tunnel (30 miles) and that traffic would need to flow through too slowly to give an adequate financial return. If pollution was to be kept down, French officials and businessmen in the various projects have shown marked suspicion of Mr Sherwood's motives in entering the race. This stems from his US background, the fact that Sea Containers is registered in Bermuda (through run from London), and his control of a major ferry company, leading to a belief that he entered his scheme to disrupt the contest.

He denies he is there as a spoiler. He has said 2,800 jobs on Sealink ferries will go if a link is built and, if successful, his scheme would employ them.

On the French side of the Channel, meanwhile, the issue has generated less excitement. Admittedly leading French industrialists and government officials talked constantly about the fixed link at a late New Year Party in Mrs Edith Cresson's industry Ministry.

But with little opposition to the idea, newspapers and television have given it little space and time. When Mr Ridley went to Paris for the first time 11 days ago, there was a cluster of British journalists and only one Frenchman standing in the rain.

In Britain, media coverage has been more extensive, as traditional wariness of linking with the Continent has given way to an acceptance, often reluctant, that this will now happen.

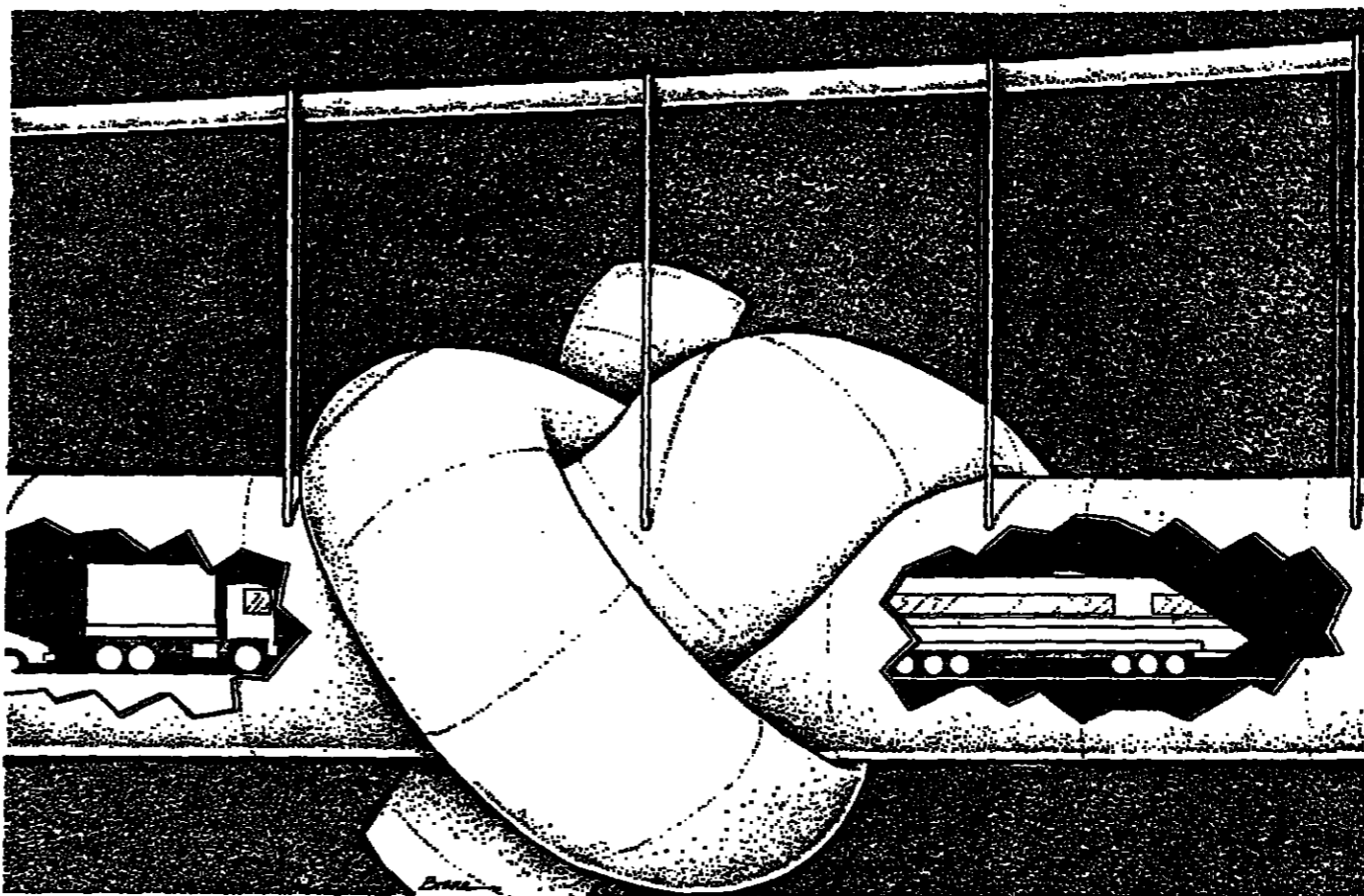
It is a long time since Napoleon proposed a tunnel, calling the Channel "a ditch that will be leaped whenever one has the boldness to try." Other schemes have fallen victim to failures of nerve and funds, with the UK pulling out 10 years ago after work had actually begun.

Once the political will had

CHANNEL FIXED LINK

A cliffhanger to the very end

By Andrew Fisher in London and Paul Betts in Paris



been revived, the emphasis in Britain switched to the costs, the usefulness, and the environmental impact of the schemes.

"All schemes would have an adverse impact on the environment," says Mr Harry Deakin, Kent's chief planning officer. But EuroRoute, with bridges stretching into the sea from the historic coastline, would have the most severe—even if done with superb skill, it will still scar the landscape.

Proponents of all schemes have given details of the effect on the environment and how they hope to limit this. All are well aware of Kent's reputation as the "Garden of England" and that plenty remember Vera Lynn's wartime song about "the white cliffs of Dover."

EuroRoute's higher capacity than the other schemes also disturbs the council and environmental groups, as it will mean a heavy flow of vehicles onto Kent's roads.

The French, by contrast, have pushed hard for EuroRoute, though they also like CT and are likely to accept this, with the possibility of a future road link. If UK reluctance over EuroRoute prevails.

In a final blast at CTG yesterday, Sir Nigel Brookes, whose voice faded in mid-week through constant vocal lobbying and a touch of flu, said the rival scheme's mention of a later road option was "preposterous."

He added: "Selection of CTG's inadequate rail-shuttle system would condemn the UK in this inferior form of fixed link until well into the next century."

The intense lobbying in the UK has been mirrored across the Channel, with EuroRoute stepping up its activity in France. Mr Jacques Mayoux, chairman of Société Générale, has long been involved in promoting the scheme.

For its part, France-Manche, the French arm of CTG, has continued to be relatively confident that it will be chosen. Mr Jean Paul Parayre, head of France-Manche, believes CTG offers the only viable financial engineering solution to building a link.

Mr Parayre does not believe the schemes can be merged, but does not rule out other forms of collaboration between rivals. "You must distinguish between projects and partners," he feels.

All the schemes contain big names, with EuroRoute including Trafalgar House, British Steel, British Shipbuilders, GEC and Barclays Bank in the UK and Société Générale, Banque Paribas, GTM, Entrepren, Alstom, and Usinor in France. CTG numbers among its British shareholders Costain, Ralfair Beatty, Tarmac, Taylor Woodrow, and Wimpey, all construction companies, as well as the National Westminster and Midland banks. In France, these include Bouygues, Dumez, Spir, Ratimolles, Banque Nationale de Paris, and Credit Lyonnais.

Linked with Channel Expressway are Sea Containers, Credit du Nord, the Serreg construction group, First National Bank of Boston, and PIF Aquitaine.

With the final choice made, the attention will turn to raising the money, working out the construction plans, and assessing the need for upgraded road and rail connections at each end of the new link.

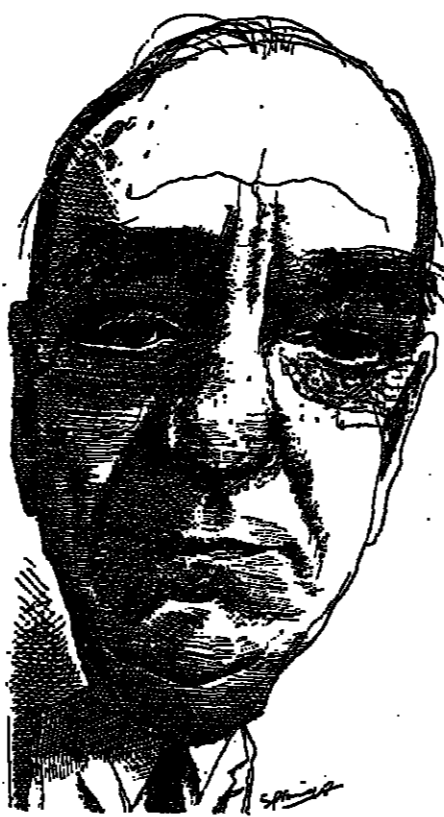
The drama of the past few weeks will thus be succeeded by consideration of mundane issues for financiers, engineers, and planners. One thing is certain, though. While bigger ships are on the way to counter the fixed link threat, the ferry business will never be the same again.

Man in the News

Sir Raymond Lygo

Aerospace admiral rocks the boat

By Bridget Bloom



WHEN Sir Raymond Lygo, British Aerospace's chief executive, took over the company's Dynamics division in the spring of 1978, he told senior company officials that he wanted to see everyone. But when a meeting of the board was proposed, Sir Raymond exploded. He was, he said, talking about meeting the workforce, not just the top executive.

Sir Raymond's belief in the importance of communication as a tool both of good management and of what he clearly considers to be a higher attribute—good leadership—predates his sojourn with Britain's largest aerospace company. He learnt its value in the Royal Navy, where he worked his way up from a naval airman of 18 in 1942 to a full Admiral of the Fleet 35 years later.

It is ironic, if not altogether surprising, that a man who believes so strongly in getting his message across about his week have been at the centre of one of the most disputed face-to-face encounters in recent political memory.

Former naval colleagues and civil servants who have read Sir Raymond's now published notes on his meeting with Mr Leon Brittan, the Trade and Industry Secretary, over BAE's involvement in the Westland affair, say they can hear him talking and picture the meeting. They describe him variously as frank and direct, shrewd, articulate and occasionally abrasive. They disagree on whether Sir Raymond's impulsiveness might sometimes affect his judgment, but they never question his honesty.

Having published his own account of the meeting, dictated into a tape recorder as he drove the mile or so back from meeting Leon Brittan to BAE's Pall Mall headquarters on January 8, Sir Raymond has this week been laying low. It is clear that he was alarmed at the possible damage which his public exposure might have on British Aerospace, which as the country's sole manufacturer of large military and civilian aircraft and one of its major defence contractors, must maintain good relations with the Department of Trade and Industry, and the Defence

Ministry, not to mention Downing Street.

No doubt for that reason—and because of the very considerable unease of his board—he wrote again to Mr Brittan last night accepting that a genuine misunderstanding may have occurred between them.

The immediate cause of BAE's troubles has been its decision in early December, almost certainly prompted by Sir Raymond, to participate in the European consortium's rescue plans for Westland, an ailing helicopter company. BAE's involvement, which was sought by Mr Michael Heseltine, the former defence secretary, came late in the day. The agreement for BAE and GEC between them to take one-fourth of a

minority shareholding, alongside the German, French and Italian aerospace companies, was concluded only a couple of days before it was rejected out of hand by the Westland Board on December 13.

But if Sir Raymond must now regret the way his company has become involved in the attendant political crisis, he is not the man to regret the action itself.

He has developed a strong belief that the future of Europe's defence industries must lie in collaboration, which he sees as the only way Europe can hope to achieve equality with the much bigger and more efficiently organised US defence industry.

However, it was the out-

spoken manner in which Sir Raymond expressed these beliefs at a consortium press conference on January 7, when he also announced that BAE would be prepared if necessary to take management responsibility for Westland, which got him into trouble with Mr Brittan.

Accusations that he is anti-American obviously infuriated Sir Raymond, who described them in his press conference as simplistic nonsense. He pointed out in his published notes that he is married to an American, had served (at the end of the war) in the US Navy, and that he probably also had much more experience of doing business with the US than his critics.

His fearlessness and confidence in his own ability no doubt stems from his own success in making it up the ladder of achievement and across the barriers of class to acceptance by the British establishment. He started his career at 16 as a messenger at The Times, and he almost certainly did not make it quite to the top of the Navy (he retired as vice-chief of naval staff) because of what one colleague described as the service's discomfort with his non-conformism and questioning mind.

That, however, made him a good candidate for the leadership of BAE, not only because he had experience of defence, aviation and the Whitehall jungle but because, in the words of one senior civil servant, as an outsider he could "knock the competing mini-barons of the aerospace world into shape."

Sir Raymond has made the improvement of BAE's management a priority. His tenure so far, which included the company's full privatisation last spring, has not been easy. Though respected by his colleagues, his often abrasive and sometimes impulsive ways have alarmed the more conventional of his colleagues, including, it is said, his chairman Sir Austin Pearce, whose low-key approach contrasts with Sir Raymond's more flamboyant style.

It may have been this side of Sir Raymond's character which alarmed the board in the most recent days of the Westland crisis. But his own pragmatism and concern to place his company ahead of a point of personal principle was probably as equally strong a motivation for last night's letter, whose terms are such as to guarantee an end to that part of the conflict.

The unanswered and perhaps at this stage unanswerable question is what effect that letter will have on Sir Raymond himself. For the European consortium, however, it means the weakening of its commercial leadership at a critical moment, following as it does the last eight days ago of its political leadership in the resignation of Michael Heseltine.

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UK COMPANY NEWS

TSL Thermal up 51% to £2.6m

WITH THE second half profit being virtually maintained at £1.37m, the TSL Thermal Syndicate group of vitreous silica producers has seen its overall profit for the year ended October 31 1985 rise 51% from £1.68m to £2.55m.

Following the restoration of the interim dividend, the directors are recommending a final dividend of 2p which would bring the total dividend to 5p. At the halfway mark the group expanded its profit from £376,000 to £1.28m, but comparing these is distorted because of the changes in the group over the last two years.

Mr William Wilkinson, the chairman, says much of the reorganisation has been completed

successfully and the group is now soundly based. "Long term prospects are encouraging."

A strong balance sheet has been maintained in spite of the capital investment programme of £3.3m in the last two years.

During the year under review, sales at Walsend advanced by 58 per cent and it was the main contributor to profits, says the chairman. The German subsidiary had good year, while exports to Japan increased substantially.

However, the US subsidiary had a disappointing year after the good performance of 1983-84, and the severe downturn in the semi-conductor industry in Japan adversely affected TSL's opera-

tion with Mitsubishi Metal Corporation.

Group turnover rose from £16.55m to £19.52m. Tax takes £286,000 (£253,000) and minorities £1,000 (nil) to leave the attributable profit at £1.55m (£1.12m), for earnings of 19.0p (12.89p) per share.

comment

Heavily napped by the upturns as a recovery stock, TSL Thermal Syndicate has seen its shares at 310p before the collapse of the semiconductor market began to take its toll in last year's second half. A downward re-rating of profits forecast brought the price back to 280p, but still left the share disappointing, and yesterday's

results took 13p off the price to leave it at 222p. The UK business, less dependent on the semiconductor industry, moved ahead strongly but the US operations have been severely depressed and the Japanese joint venture produced losses of about £300,000. This year a partial recovery of the semiconductor-related operations should produce a reasonable improvement in the US and a modest profit from Japan. With reorganisation largely complete, the prospect of further strong advances in the UK and Germany, some £3.5m could be in sight, putting the shares on an undemanding prospective p/e of 18 after a 35 per cent tax charge.

comment

Mr Slocock added that Mr Cartier had also made some more detailed proposals about reforming the retail business. "He told us he did not intend to make a bid but in these circumstances we think it is proper that he should. However we will be considering his proposals and replying in the near future," said Mr Slocock.

Mr Cartier confirmed that there had been a meeting with Norman senior management but declined to comment further. Since returning from the US in 1984 Mr Cartier has made a partial bid for Maynard's which failed after the intervention of Ward White and another failed bid for Cullens.

Norman's pre-tax profits rose to £2.43m in the year to March 30 1985 on turnover of £83.05m, however, it is expected to report a slight drop in profits this year. "We have not done so well this year—we have had a pause year," said Mr Slocock.

Mr Slocock questioned whether Mr Cartier's undoubted skills in retailing prior to 1979 could be easily resplined to the changed climate of 1986. "He has put forward some pretty general ideas for changing the business but he has no record of success since 1979," said Mr Slocock.

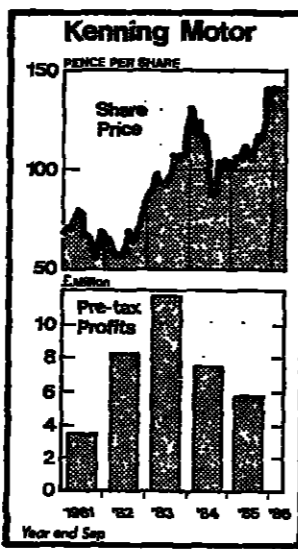
comment

Kenning Motor's engine as last year's engine, Kenning, although the £1.2m swing round in the exceptional items, the trend of operating profits before exceptional items is not very positive. The collapse in the US was caused by management problems in car rental and the increasingly global problems faced by the tyre market. Kenning is not the first to have gambled in Las Vegas and lost; and the management, no doubt spurred on by predator Mr Ron Brerley's injunction to perform or else have acted quickly to shut the operation down. With just over 29 per cent of the stock, the New Zealanders are seeking board representation so as to keep a closer eye on this investment.

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marketing but there was an 11 per cent rise in retail and fleet volumes.

A marginal improvement was achieved in tyres in the second



Near 24% profit drop at Kenning Motor

THE REDUCTION expected by the Kenning Motor Group in pre-tax profits for the year ended September 30 1985 turns out to be 23.6 per cent, from £7.54m to £5.76m. The group was hit badly in its operations in the US and Zimbabwe.

Shareholders receive a same again final dividend of 4p, for an unchanged net total of 8.5p.

Sales for the year rose from £72.25m to £74.9m, but the operating profit fell from £10.83m to £9.77m. The share from associates was down by almost £1m at £790,000 but was more than offset by a swing round from exceptional charges of £902,000 to credits of £902,000. Interest charges, however, were up to £4m (£3.39m).

Looking at prospects for the current year, the directors say first indications from the December quarter both in the UK and overseas, with the exception of Zimbabwe, show an encouraging advance. They expect the year to show an overall improvement in profits.

In Zimbabwe, the operating profit fell from £2.32m to £2.02m,

and some 24 per cent of that accounted for by exchange rate movements. Companies continue to perform well within the constraints, but the promised increase in foreign currency allocations for purchases has not materialised for the passenger car market; consequently, a further decline in profits must be expected this year.

The US contribution dropped from £1.5m to £208,000, reflecting substantial problems in the tyre market over the first four months and an unsatisfactory performance in the Las Vegas car rental operation. Currently, the results in the tyre section are more encouraging and arrangements are in hand to dispose of the Las Vegas part of the car rental side.

Results in the UK operations were substantially better in the second half and this side ended with a profit of £5.8m (£5.5m). The motor division again recorded an overall loss although this was the result of depots closed during the year and the related costs. The motor side again suffered from "disorderly

Celtic Haven in first-half recovery

PRE-TAX PROFITS recovered strongly in the six months to the end of December at Celtic Haven, the Dyfed-based steel fabricator and plant hire group.

On turnover more than doubled from £868,000 to £1.81m, taxable profits improved from £50,000 to £98,000. Profit from continuing operations was £122,000 (£54,000), but there was a loss on activities now terminated of £24,000 (£48,000). From earnings per 5p share 1.3p, compared with 0.1p last

time, the interim payment is unchanged at 0.25p. Last year there was a total payment of 0.76p on the £1.81m turnover.

The directors say that present indications it is expected that trading in the second half will show a further improvement on that now reported.

The main operating company, Tyrores Plant and Construction, had a satisfactory 1985 year and Millers Construction, acquired in April, made a contribution to profits.

As already reported, the loss-

making contract held by B and B Pipelines with the Gas Board expired at the end of October and the company ceased to trade at the end of November.

The acquisition of Grimsby Pipework and Engineering was completed in December and Celtic expects that it will have a significant impact on group results, particularly in 1986-87 when it will have the benefit of the full year's trading.

The first half tax charge was £29,000, against £1,500, leaving attributable profit at £98,000.

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FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS		Fri Jan 17 1986										Highs and Lows Index									
Figures in parentheses show number of stocks per section		Index	Day's Change %	Day's High	Day's Low	Est. Earnings (pence)	Gross Div. Yield (%) (ACT to 30%)	P/E Ratio (Net)	1985 vol. to date	Index	Index Jan 14	Index Jan 14	Index Jan 14	Index Jan 14	Index Jan 14	Index Jan 14	Index Jan 14	Index Jan 14	Index Jan 14	Index Jan 14	
												1985/86					Since Completion				
												High					Low				
1	CAPITAL GOODS (214)	576.46	+0.6	9.96	3.99	12.68	0.08	573.16	569.90	567.56	571.61	590.07	6.1/86	483.30	257.05	590.07	6.1/86	50.71	132/274		
2	Building Materials (24)	427.34	+1.0	8.97	4.32	13.23	0.00	423.14	261.05	421.11	427.34	615.14	6.1/86	472.11	262.05	615.14	6.1/86	44.27	112/274		
3	Contracting, Construction (28)	190.30	+1.0	9.87	4.22	14.23	0.69	192.55	192.25	920.85	749.68	763.69	301/085	764.14	8.7/85	963.49	301/085	71.48	1/2/97		
4	Electricals (13)	1265.24	+1.3	9.22	4.79	14.14	0.00	1261.04	261.05	1254.43	1449.67	1303.40	221/85	1289.34	107/85	1909.39	3.1/85	84.71	256/85		
5	Electronics (29)	1457.82	+1.1	10.41	3.17	12.59	0.00	1453.62	261.05	1428.78	1421.64	1393.76	9.1/85	1229.81	80.08	2849.05	131/084	122.01	8.1/085		
6	Mechanical Engineering (63)	322.04	+0.8	10.41	3.17	12.59	0.13	317.84	261.05	317.84	318.80	326.95	257/105	325.85	257/105	336.97	257/105	45.75	7/085		
7	Metals and Metal Forming (7)	254.29	+0.8	8.60	3.38	14.20	0.00	254.95	253.10	164.63	177.29	259.29	171/86	165.08	140/86	259.29	171/86	19.97	1/1/86		
8	Motors (13)	217.93	+0.6	8.60	3.38	14.20	0.00	210.64	210.20	206.50	158.21	217.11	6.1/86	182.57	3.1/85	217.11	6.1/86	19.97	1/1/86		
9	Other Industrial Materials (2)	130.74	+0.5	7.52	3.52	15.84	0.67	130.88	997.28	993.95	925.26	1059.62	221/085	124.00	116/85	1059.62	221/085	277.55	150/85		
10	CONSUMER GROUP (183)	754.07	+1.2	9.99	3.68	12.49	0.37	752.32	749.94	734.93	636.78	790.71	291/085	604.96	3.1/85	790.71	291/085	61.41	132/274		
11	Breweries and Distillers (2)	787.86	+1.2	9.99	3.99	12.68	0.65	787.14	784.25	590.44	816.65	251/085	550.86	3.1/85	816.65	251/085	69.47	103/274			
12	Food Manufacturing (22)	563.11	+0.6	10.68	4.88	12.13	0.00	560.97	261.05	553.81	581.26	590.26	61.82	257/105	590.26	251/085	99.67	110/274			
13	Food Retailing (14)	1674.64	+1.3	9.96	2.70	19.35	2.92	1707.11	1682.14	1664.83	1693.83	1692.65	201/085	1400.34	1.1/85	1692.65	201/085	54.25	130/274		
14	Health and Household Products (9)	1394.61	+1.0	8.45	2.77	18.29	0.02	1389.61	261.05	1377.51	1045.39	1239.35	301/085	98.65	114/85	1239.35	301/085	175.38	205/85		
15	Leisure (25)	751.76	+0.3	7.45	4.57	17.13	0.58	749.40	747.19	747.95	712.79	778.92	251/085	599.07	127/85	778.92	251/085	54.83	9.1/75		
16	Publishing & Printing (13)	1846.45	+1.0	8.60	4.88	14.41	2.36	1846.41	1831.83	1835.63	1822.22	1924.08	1.1/85	1455.15	3.1/85	1924.08	1.1/85	55.08	6.1/85		
17	Packaging and Paper (15)	373.22	+1.4	9.39	4.25	12.91	0.00	368.01	365.77	363.73	360.32	380.46	251/085	286.36	3.1/85	380.46	251/085	43.46	6.1/75		
18	Stores (43)	727.98	+1.1	7.37	2.97	14.05	0.00	724.18	720.49	712.19	656.58	834.96	251/085	592.47	192/85	834.96	251/085	52.63	6.1/85		
19	Textiles (16)	383.50	+1.1	13.57	4.48	9.80	0.06	379.42	375.45	375.50	321.16	397.45	261/085	374.85	3.1/85	397.45	261/085	42.64	110/274		
20	Tobacco (3)	933.31	+0.6	11.43	4.97	8.08	0.00	928.88	924.85	907.08	946.79	1049.69	8.2/85	741.92	6.1/86	1049.69	8.2/85	94.34	134/82		
21	OTHER GROUPS (84)	707.06	+0.2	8.45	3.16	13.54	0.82	705.75	703.74	695.53	673.27	740.65	251/085	605.99	3.1/85	740.65	251/085	58.63	6.1/85		
22	Chemicals (19)	785.97	+0.5	6.08	2.32	5.70	0.06	783.94	734.24	729.24	774.31	832.26	227/85	645.96	2.1/85	832.26	227/85	71.26	1.1/2/74		
23	Office Equipment (4)	212.26	+0.2	7.50	3.44	15.90	0.00	212.69	209.77	210.49	170.00	200.66	6.1/86	155.46	3.1/85	200.66	6.1/86	1.77	2/85		
24	Shipping and Transport (12)	1346.42	+0.6	7.50	3.44	15.90	0.23	1342.77	1334.44	1334.44	1334.44	1334.44	1334.44	1334.44	1334.44	1334.44	1334.44	98.80	296/274		
25	Telephone Networks (2)	864.58	+0.6	7.50	3.44	15.90	0.00	863.52	861.92	862.32	882.32	942.07	201/86	788.87	3.1/85	942.07	201/86	98.80	296/274		
26	Miscellaneous (47)	891.30	+0.4	7.67	3.61	15.92	0.00	887.85	886.82	878.82	882.32	917.43	221/085	778.87	267/85	917.43	221/085	64.7	6.1/75		
27	INDUSTRIAL GROUP (48)	785.38	+0.3	3.99	3.66	13.44	0.20	781.32	696.63	697.69	638.08	732.57	251/085	599.75	3.1/85	732.57	251/085	59.81	130/274		
28	Oil & Gas (19)	1316.08	+1.4	10.59	7.84	4.42	0.00	1313.31	1313.31	1310.10	1098.00	1239.75	152/185	1239.75	152/185	1239.75	152/185	87.23	265/85		
29	NON-SHARE INDEX (506)	730.34	+0.1	10.39	4.33	12.94	0.19	728.15	726.76	727.53	676.95	773.36	251/085	630.98	3.1/85	773.36	251/085	63.49	132/274		
30	FINANCIAL GROUP (13)	523.33	+1.0	4.62	—	—	0.03	518.28	513.99	507.50	542.71	536.52	221/085	430.18	3.1/85	536.52	221/085	55.88	132/274		
31	Banks (7)	544.64	+0.5	16.95	5.75	8.33	0.00	531.33	528.03	518.60	499.46	594.96	251/085	338.8	134/85	594.96	251/085	62.44	122/274		
32	Insurance (Life) (9)	790.94	+0.3	4.50	—	—	0.00	784.25	784.25	784.25	812.57	291/085	808.95	4.1/85	812.57	291/085	64.88	2.1/75			
33	Insurance (Compensation) (7)	419.42	+0.3	4.50	—	—	0.00	419.42	419.42	407.41	401.41	401.41	401.41	401.41	401.41	401.41	401.41	43.96	131/274		
34	Insurance (Brokers) (8)	1228.42	+2.7	6.95	3.51	19.26	0.95	1218.47	1170.30	1150.01	1110.82	1243.88	155/85	1099.26	257/85	1243.88	155/85	93.26	131/274		
35	Merchant Banks (11)	283.08	+0.9	3.48	—	—	0.00	280.44	280.00	278.88	267.40	298.23	181/085	280.00	3.1/85	298.23	181/085	31.23	7.1/75		
36	Property (13)	651.27	+0.5	6.08	2.32	5.70	0.00	649.59	649.51	641.26	632.42	699.58	251/085	583.78	107/85	699.58	251/085	50.81	204/85		
37	Other Financial (26)	291.85	+0.4	8.23	5.44	14.60	0.04	289.57	289.52	286.45	263.49	312.26	121/85	263.45	267/85	312.26	121/85	36.29	210/274		
38	Investment Trusts (103)	640.99	+0.2	—	—	—	0.00	639.73	639.73	639.73	591.47	608.88	6.1/86	557.78	3.1/85	608.88	6.1/86	71.32	304/274		
39	Overseas Traders (14)	608.31	+0.2	13.76	5.92	9.32	0.00	606.97	604.73	604.73	604.73	604.73	604.73	604.73	604.73	604.73	604.73	66.15	391/274		
40	Overseas Traders (14)	608.31	+0.2	13.76	5.92	9.32	0.00	606.97	604.73	604.73	604.73	604.73	604.73	604.73	604.73	604.73	604.73	66.15	391/274		
41	ALL-SHARE INDEX (739)	673.38	+0.2	—	—	—	0.15	674.85	672.02	664.42	624.96	782.06	251/085	581.88	3.1/85	782.06	251/085	61.92	132/274		
42	FT-380 SHARE INDEX	1396.41	+1.5	13.93	13.94	13.94	13.94	1396.51	1396.51	1396.51	1396.51	1396.51	1396.51	1396.51	1396.51	1396.51	1396.51	1396.51	96.93	237/84	

IBM closes year on buoyant note

BY WILLIAM HALL IN NEW YORK

INTERNATIONAL Business Machines (IBM), the world's largest computer group, yesterday unveiled a strong fourth quarter performance and Wang Laboratories, a leading producer of data processing equipment, reported improved earnings.

The results are widely seen as evidence that a cautious but sustained upturn in America's "high-tech" industry is under way.

IBM, which had reported lower earnings in the previous three quarters, announced a 2.4 per cent rise in fourth quarter net income to \$2.68bn. Earnings per share rose by a similar amount to \$4.36.

Wang Laboratories, which had posted heavy losses in the third quarter of its last financial year and net income of \$7m in the first three months, announced second quarter net income of \$21.7m, or 15 cents per share.

The latest quarterly earnings were sharply down on the previous year's \$56.3m, or 40 cents per share, but the company expressed confidence that its earnings would improve in the second half as a result of cost controls and increased deliveries of its products.

Despite a strong fourth quarter performance, IBM's net income for calendar 1985 fell by 0.4 per cent to \$6.56bn, or \$10.87 per share.

Given IBM's superior performance in recent years there was some disappointment with the results on Wall Street yesterday and IBM shares, which had been trading close to their all-time high, fell by \$4 to \$151 in early trading.

Some Wall Street analysts had been forecasting that the group would earn around \$4.50 per share in its final quarter and might have been able to post marginally higher profits than 1984's \$10.77 per share, although the company had warned that this was unlikely.

Mr John Akers, IBM's chief executive, said that "IBM's worldwide business health is strong despite a difficult year for the computer industry."

Group revenues rose by 9 per cent to \$50bn in 1985. He said that an uncertain North American economy, currency fluctuations, sluggish capital spending and an early 1985 pause in top-of-the-range mainframe installations had had an adverse impact on the group's 1985 performance.

"Total orders for 1985 showed good growth over the prior year," said Mr Akers, who noted that while worldwide shipments for the full year were higher than 1984, substantially all of the growth continued to come from the group's non-US business.

The 184 per cent rise in fourth quarter revenues to \$17.2bn was due mostly to the strength of the 3090 mainframe and high-end storage devices, along with growth in type-writers, printers and personal computers, said Mr Akers.

Looking to the future Mr Akers says that "there is an absence of convincing evidence the North American economy is showing sustained improvement, and we are approaching 1986 with caution."

We are managing our costs, expenses and other resources carefully. Product costs and expenses in 1985 reflect increases in productivity over the prior year.

Dr. An Wang, the chairman of Wang Laboratories, says that during the first half of fiscal 1986 the company increased revenues with fewer people and managed its spending levels in a manner which reflected the industry's slower growth rate.

Wang's revenues in the second quarter rose by 11.4 per cent to \$67.5m and for the six months rose marginally to \$1.2bn for the six months. Wang's net earnings on its class B and class C shares was 20 cents per share against 76 cents in the same period of last year.

On a per-share basis, though, Nikko earned a net \$39.39 and Yamachi a somewhat better \$41.37.

Earlier in the week Nomura Securities, the country's largest brokerage house, reported a 15 per cent rise in consolidated net profits to \$110.9bn, on revenues which at \$59.6bn were up 34.9 per cent.

The results all include contributions from the companies rapidly growing overseas operations, although in most cases these are not as profitable as the parent companies alone.

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AMD loss lower than expected at \$10.7m

By Louise Kehoe in San Francisco

ADVANCED Micro Devices, the California-based semiconductor manufacturer, has reported lower-than-expected losses of \$10.7m, or 19 cents per share, for its third fiscal quarter which ended December, 1985.

The loss compares with net income of \$29.3m, or 50 cents per share in the same quarter of 1984. Sales were \$144m, compared to \$238.6m.

At the operating level, AMD reported a loss of \$17.7m for the third quarter. Tax credits resulting from operating losses and high levels of research and development capital spending totalled over \$5.9m for the three months.

"In 1985, the semiconductor industry was subjected to the worst recession in its history," said Mr W. J. Sanders, president and chief executive.

"We believe the worst is behind us, with the beginning of an order recovery now evident. Orders still trail shipments, however, indicating no immediate rebound for the industry."

Sales were up 12 per cent and net loss 40 per cent lower than in the second quarter. A substantial part of this sales increase resulted from sales of new chips introduced since October, the company said.

"I believe that AMD has turned the corner," Mr Sanders said. AMD's managerial and professional employees, whose pay was cut by 10 to 15 per cent last summer, will be restored to full pay this month, he added.

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Reynolds Metals at break-even in quarter

BY OUR FINANCIAL STAFF

REYNOLDS METALS, the second largest US aluminium producer, just managed to break even in the fourth quarter following the \$313.5m charge in the previous three months.

Net profits in the latest quarter were \$300,000, equivalent to a loss of 13 cents a share after preferred dividends. However, the results include Life Inventory gains of \$4.9m and \$4.6m from utilisation of tax loss carry-forwards, while the 1984 quarter profits of \$35.4m or \$1.77 a share included a \$6.3m tax credit.

For the year, Reynolds suffered a net loss of \$91.6m including the third-quarter charge, compared with profits of \$137.3m or \$6.36 a share.

Sales fell last year from \$3.73bn to \$3.42bn, and from \$399.6m to \$386.9m in the fourth quarter. Shipments declined from 1.12m tons to 1.08m for the year, but edged up from 249,500 tons to 254,800 in the final quarter.

Mr David Reynolds, chairman and chief executive, said the worldwide oversupply of aluminium and the high level of imports into the US depressed prices last year and adversely affected operating results.

However, he added: "With aluminium demand continuing strong in most end-use markets and input prices moving upward in recent weeks, we would expect prices for fabricated products to improve as the year progresses."

Alcoa of Australia, the big aluminium producer in which Alcoa of the US has a 51 per cent stake, saw a modest improvement in net profit in 1985 from AUS\$3.7m to AUS\$4.6m (US\$31.9m) on sales of A\$1.2bn.

It said that the effect of a weaker A\$ had offset lower selling prices, but complained that exchange rate losses were not tax deductible.

The Australian mining industry is making concerted calls for changes in the tax law to cover this point, though with only slim chances of success.

Alcoa said that total interest on borrowings, rose from A\$111.3m in 1984 to A\$131.8m last year. Interest expense was partly offset by investment income of A\$40.7m (A\$24.5m) previously.

Exchange losses of A\$69.9m were provided against profit. Allied Irish Bank in Australia, which had a net loss of A\$82.7m, an increase of A\$186.7m. The unrealised loss on US dollar loans, not brought to account at December 31 was A\$327.5m, an increase of A\$109.5m during 1985.

The plan calls for efforts to increase annual sales by about \$200m (\$98m) to \$1,400m by 1990, and foresees a reduction in jobs to below 14,000 by cutting about 4,500 workers from steel production lines.

Of these, about 2,000 would be shed through natural wastage while the remainder would be transferred to affiliates.

The company expects to increase sales of its engineering division from the current \$80m a year to \$120m in 1990, and those of its chemical division from the current \$50m to \$90m. A further \$40m is expected to come from new business including semiconductor.

To this end, Kawasaki plans to invest about \$120m annually in plant and equipment over the next five years, of which two-thirds will be used for rationalising the steel division.

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Bidders line up for Uniroyal division

By Terry Dodsworth in New York and Alan Friedman in Milan

UNIROYAL, the US tyre group which was bought by a team of management and investors for about \$1bn earlier this year, hopes to complete the bidding process for the sale of its chemicals division within about two months.

The chemicals business has been put on the market to raise cash for the reduction of the group's hefty borrowings of \$950m, which were taken on to finance the leveraged buy-out deal. Under the terms of the borrowing agreement, the main equity holders in the company agreed to give up control of the company to the institutional lenders backing the deal if they had not managed to pay off \$750m of the debt within two and a half years.

Uniroyal said that the process of gathering in the first round of offers for the chemicals division was expected to be concluded shortly by Salomon Brothers, its investment bank. These bidders will then be narrowed down to a handful before final offers are proposed and the auction decided.

The chemicals division, the most profitable unit in the company, is expected to raise in the region of \$700m to \$800m. In 1984, it generated sales of \$672m and an operating profit of \$100m, against operating losses of \$85m for tyres and a \$37m for engineered products.

The division has 3,000 employees worldwide, and is active in three sectors—agricultural chemicals, industrial chemicals and specialty chemicals.

Milan it was learned yesterday that Enichem, the chemical company which is part of the ENI state energy group, this week expressed interest in making an offer.

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Statoil and Shell Sweden to acquire Swedegas stake

BY FAY GJETER IN OSLO

STATOIL, the Norwegian state-owned energy group, and Shell Sweden have agreed to pay SKr 80m (\$10.5m) each for a 20 per cent stake in the newly formed Swedish natural gas company, Swedegas.

Vattenfall, the Swedish state-owned power board which controls Swedegas, will retain the remaining 60 per cent and provide a further capital injection of SKr 240m, following a Swedegas decision to expand capacity by SKr 400m.

The extra capital will help finance the extension of a newly opened SKr 500m natural gas pipeline, which currently stretches from Copenhagen across to Helsingborg, in southern Sweden. Eventually it will link up with the west coast city of Gothenburg.

Swedegas imports some 220m cubic metres of Danish natural gas a year through the pipeline (which opened last July) and expects sales of some SKr 240m this year.

However, the SKr 700m extension of the pipeline to Gothenburg is expected to bring total volume to some 800m cubic metres by 1988. Longer-term plans call for further pipelines into Central Sweden.

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Securities houses achieve strong growth in Japan

BY OUR TOKYO AND FINANCIAL STAFF

CONSOLIDATED NET profits for Japan's leading securities houses rose strongly in the year to September, mainly on the back of increased commission income on domestic and foreign bonds.

Daiwa Securities produced group net earnings ahead by 47.4 per cent to ¥57,222bn (\$282.8m) or ¥50.95 per share, on sales which reached ¥373,016bn, against ¥269,716bn.

Turnover at Yamachida Securities overtook that of the rival Nikko to stand at ¥321,152bn for a rise of 38.3 per cent. But Nikko, where sales rose 13.9 per cent to ¥320,616bn, remained the more profitable. Its net earnings were up 34.3 per cent to ¥51,466bn, while those of

Yamaichi stood at only ¥42,986bn despite an advance of 43.6 per cent.

On a per-share basis, though, Nikko earned a net ¥39.39 and Yamachi a somewhat better ¥41.37.

Earlier in the week Nomura Securities, the country's largest brokerage house, reported a 15 per cent rise in consolidated net profits to ¥110.9bn, on revenues which at ¥59.6bn were up 34.9 per cent.

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EUROPEAN OPTIONS EXCHANGE

Series	Vol.	Feb.	Last	Vol.	Mar.	Last	Vol.	Apr.	Last	Stock
GOLD C	3320	31	17.50	85	28	11	55	\$ 364		
GOLD P	3320	31	17.50	85	28	11	55	\$ 364		
SILVER C	6700	35	38	5	35	—	—	\$ 613		
SILVER P	6700	35	38	5	35	—	—	\$ 613		
PLATINUM C	1000	1	3.50	—	—	—	—	FL 398.90		
PLATINUM P	1000	1	3.50	—	—	—	—	FL 398.90		
PALADIUM C	1000	1	3.50	—	—	—	—	FL 398.90		
PALADIUM P	1000	1	3.50	—	—	—	—	FL 398.90		
RUDE C	1000	1	3.50	—	—	—	—	FL 398.90		
RUDE P	1000	1	3.50	—	—	—	—	FL 398.90		
IRIDIUM C	1000	1	3.50	—	—	—	—	FL 398.90		
IRIDIUM P	1000	1	3.50	—	—	—	—	FL 398.90		
OSMIUM C	1000	1	3.50	—	—	—	—	FL 398.90		
OSMIUM P	1000	1	3.50	—	—	—	—	FL 398.90		
RODNIUM C	1000	1	3.50	—	—	—	—	FL 398.90		
RODNIUM P	1000	1	3.50	—	—	—	—	FL 398.90		
COBALT C	1000	1	3.50	—	—	—	—	FL 398.90		
COBALT P	1000	1	3.50	—	—	—	—	FL 398.90		
NICKEL C	1000	1	3.50	—	—	—	—	FL 398.90		
NICKEL P	1000	1	3.50	—	—	—	—	FL 398.90		
COPPER C	1000	1	3.50	—	—	—	—	FL 398.90		
COPPER P	1000	1	3.50	—	—	—	—	FL 398.90		
ZINC C	1000	1	3.50	—	—	—	—	FL 398.90		
ZINC P	1000	1	3.50	—	—	—	—	FL 398.90		
LEAD C	1000	1	3.50	—	—	—	—	FL 398.90		
LEAD P	1000	1	3.50	—	—	—	—	FL 398.90		

CURRENCIES and MONEY

FOREIGN EXCHANGES

Dollar little changed

Trading was rather nervous and lacklustre in currency markets yesterday ahead of this weekend's meeting of finance ministers in London. News of a 171 per cent rise in US house starts and a 0.4 per cent increase in capacity utilisation provided a strong base for the dollar but there was a marked reluctance to open fresh positions ahead of the weekend. Earlier in the week there had been speculation that an across the board reduction in interest rates was to be discussed although this tended to lose credibility towards the end of the week.

Most people in the market were not expecting too much from the meeting and were adamant that there would be no far reaching agreements such as came out of the last meeting in

£ IN NEW YORK (LATEST)

	Jan. 17	Prev. close
Spot	\$1.3564-1.3570	\$1.3570-1.3575
1 month	0.670-0.680	0.670-0.680
3 months	1.661-1.661	1.661-1.661
12 months	0.704-0.704	0.704-0.704

Forward premiums and discounts apply to the U.S. dollar

September. Against this background the dollar was confined to a relatively narrow range and closed at DM2.4635 against the D-mark compared with DM2.4680 and Y202.30 against Y202.35. Against the Swiss franc it was higher at Sfr 2.09 from Sfr 2.0840 but fell in terms of the French franc to FF 7.5625 from FF 7.57. On the bank of England figures, the dollar's

exchange rate index was unchanged at 125.9

Sterling finished little changed from Thursday. Its exchange rate index closed at 77.9, unchanged from the opening and only slightly down from the previous close of 78.0. Once again there was little incentive to move before the weekend meeting. A further fall in the price of oil continued to weigh heavily on sterling sentiment although high UK interest rates provided underlying support. The pound closed at \$1.3564-1.3570, a fall of just 10 points from Thursday. Against the D-mark it eased to DM 2.4635 from DM 2.4680. It was also slightly weaker against the French franc at FF 7.5625 from FF 7.57. On the bank of England figures, the dollar's

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Jan 17	Day's spread	Close	One month	% Three months	%
UK	1.3564-1.3570	1.3564-1.3570	0.670-0.680	1.661-1.661	0.704-0.704
Ireland	1.2352-1.2352	1.2352-1.2352	0.70-0.70	1.2352-1.2352	1.2352-1.2352
Canada	1.2352-1.2352	1.2352-1.2352	0.70-0.70	1.2352-1.2352	1.2352-1.2352
Netherlands	2.755-2.755	2.755-2.755	0.57-0.57	2.755-2.755	2.755-2.755
Belgium	30.24-30.24	30.24-30.24	1.0-1.0	30.24-30.24	30.24-30.24
Denmark	8.00-8.00	8.00-8.00	0.2-0.2	8.00-8.00	8.00-8.00
W. Ger.	2.465-2.465	2.465-2.465	0.7-0.7	2.465-2.465	2.465-2.465
France	7.56-7.56	7.56-7.56	1.0-1.0	7.56-7.56	7.56-7.56
Spain	163.75-163.75	163.75-163.75	35-35	163.75-163.75	163.75-163.75
Italy	1675-1675	1675-1675	10-10	1675-1675	1675-1675
Norway	7.56-7.56	7.56-7.56	1.0-1.0	7.56-7.56	7.56-7.56
Sweden	7.56-7.56	7.56-7.56	1.0-1.0	7.56-7.56	7.56-7.56
Japan	201.30-201.30	201.30-201.30	2.3-2.3	201.30-201.30	201.30-201.30
Switzerland	2.09-2.09	2.09-2.09	0.7-0.7	2.09-2.09	2.09-2.09

UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and the pound sterling.

Belgian rate for convertible franc. Financial franc 51.05/1.00.

Six-month forward dollar 3.22-3.17c. 12-month 3.75-3.60c.

POUND SPOT—FORWARD AGAINST POUND

Jan 17	Day's spread	Close	One month	% Three months	%
US	1.3564-1.3570	1.3564-1.3570	0.670-0.680	1.661-1.661	0.704-0.704
Canada	2.011-2.011	2.011-2.011	0.43-0.43	2.011-2.011	2.011-2.011
France	3.89-3.89	3.89-3.89	2.3-2.3	3.89-3.89	3.89-3.89
Germany	7.25-7.25	7.25-7.25	1.0-1.0	7.25-7.25	7.25-7.25
Denmark	12.97-12.97	12.97-12.97	0.3-0.3	12.97-12.97	12.97-12.97
Netherlands	12.97-12.97	12.97-12.97	0.3-0.3	12.97-12.97	12.97-12.97
Belgium	12.97-12.97	12.97-12.97	0.3-0.3	12.97-12.97	12.97-12.97
W. Ger.	3.89-3.89	3.89-3.89	2.3-2.3	3.89-3.89	3.89-3.89
France	7.25-7.25	7.25-7.25	1.0-1.0	7.25-7.25	7.25-7.25
Spain	163.75-163.75	163.75-163.75	35-35	163.75-163.75	163.75-163.75
Italy	1675-1675	1675-1675	10-10	1675-1675	1675-1675
Norway	7.56-7.56	7.56-7.56	1.0-1.0	7.56-7.56	7.56-7.56
Sweden	7.56-7.56	7.56-7.56	1.0-1.0	7.56-7.56	7.56-7.56
Japan	201.30-201.30	201.30-201.30	2.3-2.3	201.30-201.30	201.30-201.30
Switzerland	2.09-2.09	2.09-2.09	0.7-0.7	2.09-2.09	2.09-2.09

UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and the pound sterling.

Belgian rate for convertible franc. Financial franc 51.05/1.00.

Six-month forward dollar 3.22-3.17c. 12-month 3.75-3.60c.

EURO CURRENCY INTEREST RATES

Jan 17	Short term	7 days notice	1 month	Three months	Six months	One year
UK	13.1-13.1	13.1-13.1	13.1-13.1	13.1-13.1	13.1-13.1	13.1-13.1
US	7.7-7.7	7.7-7.7	7.7-7.7	7.7-7.7	7.7-7.7	7.7-7.7
Canada	9.1-9.1	9.1-9.1	9.1-9.1	9.1-9.1	9.1-9.1	9.1-9.1
France	8.1-8.1	8.1-8.1	8.1-8.1	8.1-8.1	8.1-8.1	8.1-8.1
Germany	8.1-8.1	8.1-8.1	8.1-8.1	8.1-8.1	8.1-8.1	8.1-8.1
Denmark	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1
Netherlands	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1
Belgium	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1
W. Ger.	8.1-8.1	8.1-8.1	8.1-8.1	8.1-8.1	8.1-8.1	8.1-8.1
France	8.1-8.1	8.1-8.1	8.1-8.1	8.1-8.1	8.1-8.1	8.1-8.1
Spain	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1
Italy	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1
Norway	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1
Sweden	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1
Japan	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1
Switzerland	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1	14.1-14.1

Long-term Eurodollars: two years 9.5 per cent; three years 9.5 per cent; four years 9.5 per cent; five years 9.5 per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jan 17	£	\$	DM	FF	Yfr.	Sfr.	Hk.	Lira	Oz	Rs.
UK	1.0000	1.3564	2.4635	7.5625	201.30	2.0900	0.0167	163.75	0.0000	0.0000
US	0.7375	1.0000	1.8091	5.3125	148.80	1.4960	0.0125	124.40	0.0000	0.0000
Canada	0.7700	1.0000	1.9150	5.6250	155.00	1.5625	0.0130	130.00	0.0000	0.0000
France	0.1323	0.1805	0.2463	1.0000	201.30	2.0900	0.0167	163.75	0.0000	0.0000
Germany	0.2637	0.3583	0.4938	1.9375	1.0000	1.0000	0.0100	100.00	0.0000	0.0000
Denmark	0.0351	0.0472	0.0656	0.2637	1.0000	1.0000	0.0100	100.00	0.0000	0.0000
Netherlands	0.0351	0.0472	0.0656	0.2637	1.0000	1.0000	0.0100	100.00	0.0000	0.0000
Belgium	0.0351	0.0472	0.0656	0.2637	1.0000	1.0000	0.0100	100.00	0.0000	0.0000
W. Ger.	0.0351	0.0472	0.0656	0.2637	1.0000	1.0000	0.0100	100.00	0.0000	0.0000
France	0.0351	0.0472	0.0656	0.2637	1.0000	1.0000	0.0100	100.00	0.0000	0.0000
Spain	0.0351	0.0472	0.0656	0.2637	1.0000	1.0000	0.0100	100.00	0.0000	0.0000
Italy	0.0351	0.0472	0.0656	0.2637	1.0000	1.0000	0.0100	100.00	0.0000	0.0000
Norway	0.0351	0.0472	0.0656	0.2637	1.0000	1.0000	0.0100	100.00	0.0000	0.0000
Sweden	0.0351	0.0472	0.0656	0.2637	1.0000	1.0000	0.0100	100.00	0.0000	0.0000
Japan	0.0351	0.0472	0.0656	0.2637	1.0000	1.0000	0.0100	100.00	0.0000	0.0000
Switzerland	0.0351	0.0472	0.0656	0.2637	1.0000	1.0000	0.0100	100.00	0.0000	0.0000

Yen per 1,000: France Fr per 100: Lira per 1,000: Belg Fr per 100.

MONEY MARKETS

Interest rates were a little higher in London yesterday in rather nervous trading. A continued fall in the price of oil tended to unsettle the market and more than compensated for rumours concerning this week's meeting. Earlier in the week there had been speculation that the group of five nations would actively discuss the possibility of an across-the-board reduction in interest rates. Subsequent statements left this open to doubt and as a consequence, the market was in no mood to risk any possible over-exposure to developments over the weekend.

Three-month interbank money finished at 12 1/2 per cent unchanged from Thursday while the six month rate rose to 12 1/2 per cent from 12 1/4 per cent. Short term money was also more

expensive. Weekend money opened at 11 1/2 per cent and after touching a low of 9 per cent, rose later in the day to a high of 17 per cent.

The Bank of England forecast a shortage of around £500m with factors affecting the market including maturing assistance and a take up of Treasury bills and other financing transactions a further £450m. There was also a rise in the note circulation of £210m.

The forecast was revised to a shortage of around £450m before taking into account the additional assistance of £200m in the morning purchases of £2m of eligible bank bills in band 1 at 12 1/2 per cent, £120m in band 2 at 12 1/2 per cent and £50m in band 4 at 12 1/2 per cent.

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Benzer (C.H.) (Hugs) 8404 2000 6125
 Beycham Greer 8404 1964-64 6346
 Belgrave Norma 700P (21) 531 (131)
 Kalamazoo 8404 1967 606 (131)
 Nelson Co (150) 25 4 71
 Kenning Motor Co 700P (21) 57

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INSURANCE, OVERSEAS & MONEY FUNDS

Table with multiple columns listing various insurance and overseas funds, including company names, fund names, and numerical values.

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OFFSHORE AND OVERSEAS

Options

Table with multiple columns listing various options, including company names, option names, and numerical values.

AMERICANS—Cont.

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ENGINEERING—Continued

1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38	2038-39	2039-40	2040-41	2041-42	2042-43	2043-44	2044-45	2045-46	2046-47	2047-48	2048-49	2049-50	2050-51	2051-52	2052-53	2053-54	2054-55	2055-56	2056-57	2057-58	2058-59	2059-60	2060-61	2061-62	2062-63	2063-64	2064-65	2065-66	2066-67	2067-68	2068-69	2069-70	2070-71	2071-72	2072-73	2073-74	2074-75	2075-76	2076-77	2077-78	2078-79	2079-80	2080-81	2081-82	2082-83	2083-84	2084-85	2085-86	2086-87	2087-88	2088-89	2089-90	2090-91	2091-92	2092-93	2093-94	2094-95	2095-96	2096-97	2097-98	2098-99	2099-00	2100-01	2101-02	2102-03	2103-04	2104-05	2105-06	2106-07	2107-08	2108-09	2109-10	2110-11	2111-12	2112-13	2113-14	2114-15	2115-16	2116-17	2117-18	2118-19	2119-20	2120-21	2121-22	2122-23	2123-24	2124-25	2125-26	2126-27	2127-28	2128-29	2129-30	2130-31	2131-32	2132-33	2133-34	2134-35	2135-36	2136-37	2137-38	2138-39	2139-40	2140-41	2141-42	2142-43	2143-44	2144-45	2145-46	2146-47	2147-48	2148-49	2149-50	2150-51	2151-52	2152-53	2153-54	2154-55	2155-56	2156-57	2157-58	2158-59	2159-60	2160-61	2161-62	2162-63	2163-64	2164-65	2165-66	2166-67	2167-68	2168-69	2169-70	2170-71	2171-72	2172-73	2173-74	2174-75	2175-76	2176-77	2177-78	2178-79	2179-80	2180-81	2181-82	2182-83	2183-84	2184-85	2185-86	2186-87	2187-88	2188-89	2189-90	2190-91	2191-92	2192-93	2193-94	2194-95	2195-96	2196-97	2197-98	2198-99	2199-00	2200-01	2201-02	2202-03	2203-04	2204-05	2205-06	2206-07	2207-08	2208-09	2209-10	2210-11	2211-12	2212-13	2213-14	2214-15	2215-16	2216-17	2217-18	2218-19	2219-20	2220-21	2221-22	2222-23	2223-24	2224-25	2225-26	2226-27	2227-28	2228-29	2229-30	2230-31	2231-32	2232-33	2233-34	2234-35	2235-36	2236-37	2237-38	2238-39	2239-40	2240-41	2241-42	2242-43	2243-44	2244-45	2245-46	2246-47	2247-48	2248-49	2249-50	2250-51	2251-52	2252-53	2253-54	2254-55	2255-56	2256-57	2257-58	2258-59	2259-60	2260-61	2261-62	2262-63	2263-64	2264-65	2265-66	2266-67	2267-68	2268-69	2269-70	2270-71	2271-72	2272-73	2273-74	2274-75	2275-76	2276-77	2277-78	2278-79	2279-80	2280-81	2281-82	2282-83	2283-84	2284-85	2285-86	2286-87	2287-88	2288-89	2289-90	2290-91	2291-92	2292-93	2293-94	2294-95	2295-96	2296-97	2297-98	2298-99	2299-00	2300-01	2301-02	2302-03	2303-04	2304-05	2305-06	2306-07	2307-08	2308-09	2309-10	2310-11	2311-12	2312-13	2313-14	2314-15	2315-16	2316-17	2317-18	2318-19	2319-20	2320-21	2321-22	2322-23	2323-24	2324-25	2325-26	2326-27	2327-28	2328-29	2329-30	2330-31	2331-32	2332-33	2333-34	2334-35	2335-36	2336-37	2337-38	2338-39	2339-40	2340-41	2341-42	2342-43	2343-44	2344-45	2345-46	2346-47	2347-48	2348-49	2349-50	2350-51	2351-52	2352-53	2353-54	2354-55	2355-56	2356-57	2357-58	2358-59	2359-60	2360-61	2361-62	2362-63	2363-64	2364-65	2365-66	2366-67	2367-68	2368-69	2369-70	2370-71	2371-72	2372-73	2373-74	2374-75	2375-76	2376-77	2377-78	2378-79	2379-80	2380-81	2381-82	2382-83	2383-84	2384-85	2385-86	2386-87	2387-88	2388-89	2389-90	2390-91	2391-92	2392-93	2393-94	2394-95	2395-96	2396-97	2397-98	2398-99	2399-00	2400-01	2401-02	2402-03	2403-04	2404-05	2405-06	2406-07	2407-08	2408-09	2409-10	2410-11	2411-12	2412-13	2413-14	2414-15	2415-16	2416-17	2417-18	2418-19	2419-20	2420-21	2421-22	2422-23	2423-24	2424-25	2425-26	2426-27	2427-28	2428-29	2429-30	2430-31	2431-32	2432-33	2433-34	2434-35	2435-36	2436-37	2437-38	2438-39	2439-40	2440-41	2441-42	2442-43	2443-44	2444-45	2445-46	2446-47	2447-48	2448-49	2449-50	2450-51	2451-52	2452-53	2453-54	2454-55	2455-56	2456-57	2457-58	2458-59	2459-60	2460-61	2461-62	2462-63	2463-64	2464-65	2465-66	2466-67	2467-68	2468-69	2469-70	2470-71	2471-72	2472-73	2473-74	2474-75	2475-76	2476-77	2477-78	2478-79	2479-80	2480-81	2481-82	2482-83	2483-84	2484-85	2485-86	2486-87	2487-88	2488-89	2489-90	2490-91	2491-92	2492-93	2493-94	2494-95	2495-96	2496-97	2497-98	2498-99	2499-00	2500-01	2501-02	2502-03	2503-04	2504-05	2505-06	2506-07	2507-08	2508-09	2509-10	2510-11	2511-12	2512-13	2513-14	2514-15	2515-16	2516-17	2517-18	2518-19	2519-20	2520-21	2521-22	2522-23	2523-24	2524-25	2525-26	2526-27	2527-28	2528-29	2529-30	2530-31	2531-32	2532-33	2533-34	2534-35	2535-36	2536-37	2537-38	2538-39	2539-40	2540-41	2541-42	2542-43	2543-44	2544-45	2545-46	2546-47	2547-48	2548-49	2549-50	2550-51	2551-52	2552-53	2553-54	2554-55	2555-56	2556-57	2557-58	2558-59	2559-60	2560-61	2561-62	2562-63	2563-64	2564-65	2565-66	2566-67	2567-68	2568-69	2569-70	2570-71	2571-72	2572-73	2573-74	2574-75	2575-76	2576-77	2577-78	2578-79	2579-80	2580-81	2581-82	2582-83	2583-84	2584-85	2585-86	2586-87	2587-88	2588-89	2589-90	2590-91	2591-92	2592-93	2593-94	2594-95	2595-96	2596-97	2597-98	2598-99	2599-00	2600-01	2601-02	2602-03	2603-04	2604-05	2605-06	2606-07	2607-08	2608-09	2609-10	2610-11	2611-12	2612-13	2613-14	2614-15	2615-16	2616-17	2617-18	2618-19	2619-20	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IKS HQ & LEASING

[illegible]

567	+15	125.0	2
425		11.5	4

[illegible]

Eastern Prod. 50p	297	+2	10.08	7.5
Electronic Mktg. 10p	17		2.45	

FOOD, GROCERIES, ETC.									
164	130	100	AD&M-MPT Group	134-2	12.7	29	16.6	15	18
165	131	101	Alma-Salt II (20)	134-2	12.8	29	16.6	15	18
166	132	102	Alma-Salt III (20)	134-2	12.8	29	16.6	15	18
167	133	103	Alma-Salt IV (20)	134-2	12.8	29	16.6	15	18
168	134	104	Alma-Salt V (20)	134-2	12.8	29	16.6	15	18
169	135	105	Alma-Salt VI (20)	134-2	12.8	29	16.6	15	18
170	136	106	Alma-Salt VII (20)	134-2	12.8	29	16.6	15	18
171	137	107	Alma-Salt VIII (20)	134-2	12.8	29	16.6	15	18
172	138	108	Alma-Salt IX (20)	134-2	12.8	29	16.6	15	18
173	139	109	Alma-Salt X (20)	134-2	12.8	29	16.6	15	18
174	140	110	Alma-Salt XI (20)	134-2	12.8	29	16.6	15	18
175	141	111	Alma-Salt XII (20)	134-2	12.8	29	16.6	15	18
176	142	112	Alma-Salt XIII (20)	134-2	12.8	29	16.6	15	18
177	143	113	Alma-Salt XIV (20)	134-2	12.8	29	16.6	15	18
178	144	114	Alma-Salt XV (20)	134-2	12.8	29	16.6	15	18
179	145	115	Alma-Salt XVI (20)	134-2	12.8	29	16.6	15	18
180	146	116	Alma-Salt XVII (20)	134-2	12.8	29	16.6	15	18
181	147	117	Alma-Salt XVIII (20)	134-2	12.8	29	16.6	15	18
182	148	118	Alma-Salt XIX (20)	134-2	12.8	29	16.6	15	18
183	149	119	Alma-Salt XX (20)	134-2	12.8	29	16.6	15	18
184	150	120	Alma-Salt XXI (20)	134-2	12.8	29	16.6	15	18
185	151	121	Alma-Salt XXII (20)	134-2	12.8	29	16.6	15	18
186	152	122	Alma-Salt XXIII (20)	134-2	12.8	29	16.6	15	18
187	153	123	Alma-Salt XXIV (20)	134-2	12.8	29	16.6	15	18
188	154	124	Alma-Salt XXV (20)	134-2	12.8	29	16.6	15	18
189	155	125	Alma-Salt XXVI (20)	134-2	12.8	29	16.6	15	18
190	156	126	Alma-Salt XXVII (20)	134-2	12.8	29	16.6	15	18
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206	172	142	Alma-Salt XLIII (20)	134-2	12.8	29	16.6	15	18
207	173	143	Alma-Salt XLIV (20)	134-2	12.8	29	16.6	15	18
208	174	144	Alma-Salt XLV (20)	134-2	12.8	29	16.6	15	18
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WEEKEND FT

Saturday January 18 1986

MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV

More than just a pretty face

From Tokyo to Detroit, Milan to London, industrial design has graduated beyond the exclusive. Traditionally a luxury, it has become a crucial tool of mass marketing. Christopher Lorenz explains why.

EVEN by the extraordinary standards of Hollywood, it was one of the most lavish parties ever thrown. To the tune of "Happy Days Are Here Again," more than 1,000 guests from the worlds of movies, TV and high society were wined and dined amid rampant luxury in the historic MGM studio where *Gone With The Wind* had been filmed.

The occasion was not a film premiere, but last year's "roll-out" of the Ford Taurus and Mercury Sable, two sleek new cars which the Ford Motor Company introduced in the US just before Christmas, and on which it is pinning its hopes for a competitive revival against the massed ranks of General Motors, the Germans and the Japanese.

The launch also had a wider significance. It marked the conversion of the world's second largest motor company to a strategy of competing through adventurous, aerodynamic product design. Gone was the traditional policy, common to all American motor manufacturers, of cladding a lacklustre and unimaginative vehicle in an unwieldy, boxy, battering-ram shape, garnished with all sorts of ritz, angular radiator grilles, tailfins and chromium strips. In its place was a policy of integral design, in which the car's uncluttered shape was heavily influenced by its function, and particularly by the need to reduce wind drag in order to improve its fuel consumption.

The strategy was sparked off by Ford's European offshoots in the late 1970s. Conservatives back home in Dearborn, Ford's headquarters in the heart of mid-west Michigan, took time to become convinced by it. But, stung by the company's poor sales and its plunge into heavy financial losses between 1980 and 1983, its top brass are now committed. As Donald Petersen, Ford's new chairman, told the gathering of celebrities, the company's dynamic vehicle philosophy "the motor industry loves hyperbole" encompassed not only the virtues of performance, handling and aesthetics, but also a galaxy of characteristics like quality, function, safety, comfort, reliability and cost of ownership.

In shifting to this unusually deep commitment to product design, Ford had to undergo a conversion of Galileo-like proportions. Conventional wisdom in the automobile industry had always put a company's interests before those of its customers. "But that has changed," declared Petersen. Now the driver and passengers, not the company, are the centre of Ford's diversions. If the result was a set of products that made Ford markedly different from its competitors, that would no longer be a worry—in fact, so much the better. Never mind if their

low noses, high tails and smooth shapes quickly earned them the nickname of "the jellybean look."

In down-to-earth terms, Petersen was saying that Ford's use of design as a competitive weapon formed part of its belated conversion to a broader cause: the concept of marketing first promulgated more than a quarter of a century ago by Professor Theodore Levitt and others, in which the imaginative satisfaction of consumer needs and wants, whether active or latent, takes over as the company's driving force from the traditional approach of trying to sell whatever the company happens to produce. Remarkably, this shift from "sales" to "marketing" is one which many companies have been slow to make. They may have given their sales chief a grand new "marketing" title, but they continue to lack the ability to think long term, to plan not in terms of an amorphous mass market but of particular market segments, and to be imaginative in the identification of potential new segments and products.

Only since the early 1980s have things really started to change. From Tokyo to Detroit, Milan to Munich, London to Los Angeles, companies large and small have belatedly begun to embrace "the new era of marketing," in which product design is used as a key competitive weapon. For those involved in competition on a global scale—a rapidly increasing proportion of companies—the design dimension is becoming a particularly important factor. It is being exploited more and more to create competitive distinctiveness for products of all kinds, whether they be Olympus cameras or Sony Hi-Fis from Japan; Philips compact discs or shavers from Holland; Wilkinson razors from Britain; Audi automobiles from Germany; or the "Swatch" watch from Switzerland. A familiar strategy in premium products, such as Rolex watches, Braun shavers, Porsche cars and Herman Miller office furniture, this form of differentiation is now spreading like wildfire to the world of mass marketing. In the words of Levitt's fellow guru, Professor Philip Kotler, "one of the few hopes companies have to 'stand out from the crowd' is to produce better designed products for their target markets."

Design is no longer a luxury, in other words, but a necessity. To some of the latest design converts this is merely a matter of styling: the £20 "Swatch" is essentially a stripped down and zappily restyled version of the much more expensive Concord Delirium, which was the thinnest watch in the world when it was launched in 1979. The new cars which in 1982 and 1983 heralded Ford's initial shift to aerodynamics in the US

—the Thunderbird, Lincoln Continental Mark VII, Tempo and Topaz—and which boosted its market share dramatically, were also reskinned versions of existing models.

But, like Ford's European range of cars its more recent US models reflect a radical redesign of what lies under the skin. As Kotler argues, in order to succeed a company must "seek to creatively blend the major elements of the design mix, namely performance, quality, durability, appearance and cost." Each of the elements affects the other, and it is becoming unacceptably expensive, in competitive as well as financial terms, to decide them separately—they have to be specified in parallel, with all the necessary trade-offs settled at the start. Yet many companies persist with the conventional pattern of leaving decisions about the various aspects of industrial design until last.

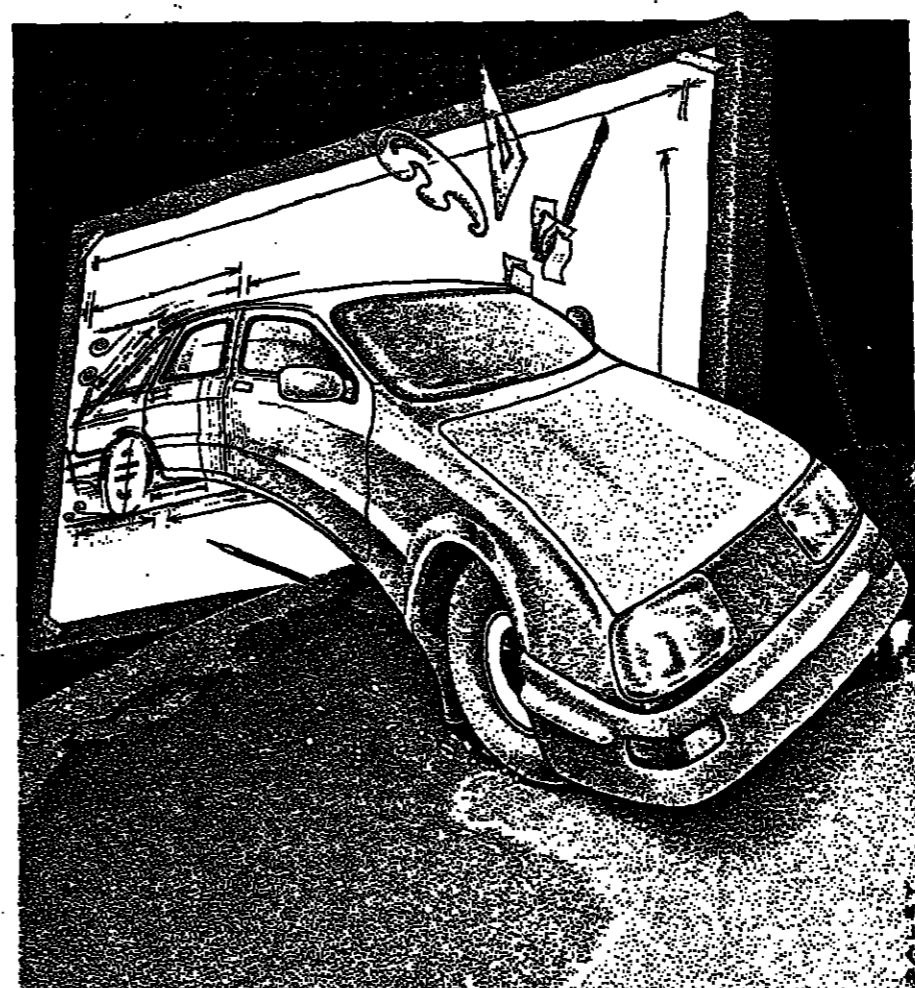
It is through their recognition of the need to manage product development along Kotler's lines that the more enlightened companies have begun to realise they must stop treating design as an afterthought, and cease regarding it as a low-level creature of marketing (whether marketing "proper" or sales masquerading under another name). Instead, they have elevated it to fully-fledged membership of the corporate hierarchy, as it has been for decades in design-minded companies such as Olivetti, John Deere and IBM. Paradoxically, these three all rely at least in part on outside design consultants, rather than just on in-house teams.

But the consultants are so well integrated by now that they are treated as insiders—with the difference that their external experience wins them extra respect.

Other companies have gone even further by recognising that design is so central to the company's purpose, and such a multi-disciplinary skill, that industrial designers can play a catalytic role in the product development process, and even, through product strategy, in helping form market strategy. Again, this applies not only to Braun, Porsche and other "minority" manufacturers. Sony, Olivetti and even the much larger Philips can all boast successful products which were conceived by industrial designers working informally as product planners and project leaders.

Usually this happens behind the scenes, but in some cases they have taken on this role officially. Early in 1985, for instance, Sony's design chief, Yasuo Kuroki, was given the additional role of co-ordinating the development of products which combine the expertise of the company's various organisational groupings, such as its audio, video and television divisions. In the electronics industry this sort of integration role is becoming more and more crucial with the growing popularity of home video "systems" which combine innovative audio techniques (such as the compact disc) with top-class video, and with interactive home computer systems.

Even in the most unlikely of industries, industrial designers are becoming co-ordinators of the product development process. Michael Smith, the chief executive of Baker Perkins, one of the world's leading process machinery makers,



describes his industrial designers as "translators, bridges and catalysts" between marketing and the various types of engineering.

In the arcane but descriptive language of behavioural science, industrial designers who are given such pivotal roles display a combination of several skills which are generally considered necessary to the success of any management team. At one and the same time they seem to be acting, alone or in conjunction with the official project team leader, not only as an invaluable source of ideas, but as "facilitator," coordinator, evaluator and completer. This is a very far cry from the stereotype of "designer as stylist," and much closer to the all-round role of co-ordination and integration which, in many countries, an architect plays in the building process.

That sort of project management is just as important in the process of designing, developing, making and launching a manufactured product, but it is seldom managed successfully. Co-ordination of all the different specialists is either left to a very formalised but inefficient procedure of inter-departmental communication, or is concentrated in the hands of a project team leader or product manager who probably lacks imagination and has an inadequate understanding of the various specialist skills at his or her command. In the words of one senior manager within the sprawling Philips organisation,

"good product managers are a very rare breed."

Underpinning the ability of many designers to play a full part in the development team, and the potential of some even to become the team's co-ordinator, is a set of unusual personal attributes and skills. Some are inborn, others are learned. They include imagination; the ability to visualise shapes and the relationship between objects in three dimensions; creativity; a natural unwillingness to accept obvious solutions; the ability to communicate, through words as well as sketches and, finally, the designer's stock-in-trade—the ability and versatility to synthesise all sorts of multi-disciplinary factors and influences into a coherent whole.

This is a pretty demanding combination—even more so when the successful designer in industry must also possess all the usual executive virtues of determination, drive and discipline. But many architects possess it; not those notorious individualists with massive artistic egos, but the more level-headed, co-operative and business-like variety.

So do a good number of industrial designers. Contrary to popular myth, these latter-day versions of Renaissance Man (and Woman) do not all hail from Milan and the other design-rich parts of Italy. Ettore Sottsass, Mario Bellini, Rodolfo Bonetto, Giorgetto Giugiaro and other famous Italian consultants are undoubtedly international masters of design, but so are Germans such as

Richard Sapper and Hartmut Esslinger, as (respectively) IBM and both Apple and Sony have recognised in the form of lucrative contracts. A number of less well-known Britons, too, deserve the same accolade: not only consultants such as Kenneth Grange and Nick Butter, who have worked, respectively, for Kodak and Minolta cameras, among many other clients, but also a bevy of unsung heroes who operate as insiders at world-scale companies such as BMW and Olivetti. British and German designers seem to take more easily than their Italian counterparts to the culture and discipline of working within a large company. So do Americans—which is just as well, since many of the top US product designers are anonymous members of in-house teams. With a few exceptions, such as Niels Diffrient, a former partner of the late Henry Dreyfuss, most of the great American product design consultants are names from the past.

Whatever their nationalities, few other sorts of professional can be expected to possess such a broad combination of characteristics and skills, be they planners or accountants, engineers or even marketing executives. Indeed, it is the very paucity of vision on the part of many so-called "marketing" departments which often torpedoes the application of Levitt's formula, "the marketing imagination."

The clear implication is that, for a manufacturing company to develop a fully-fledged "marketing imagination," and to exploit it to its utmost, it needs to upgrade its use of industrial design. As Levitt himself argues, "the search for meaningful distinction is a central part of the marketing effort." Yet, in a crowded and increasingly global marketplace, the achievement of meaningful distinction requires the company to make all sorts of new connections.

In the broadest of senses, it must make new connections between itself and the consumer. To do this it must be able to establish more effective links within its own organisation between the various elements of the company's "value chain" (or "business system," as it is sometimes called), namely: technology which is either available on the market or is coming out of research; development; production; marketing; sales and distribution; and service. And it must make the new connections between the market and the various elements of what Kotler calls the "design mix": performance, quality, durability, appearance and cost.

For these connections to be made successfully requires a team effort in which the industrial designer's imagination, synthesising skills and entrepreneurial drive are given equal weight to the tools of the engineer, the financial controller and the marketer. The design dimension is no longer an optional part of marketing and corporate strategy, but should be at their very core.

Excerpted from *The Design Dimension*, by Christopher Lorenz, to be published on January 23 by Basil Blackwell, Oxford, at £12.50. The author, who is the FT's Management Editor, will be one of the speakers at a major government conference, "Design Commitment," to be held in London on January 28 for the chairman and chief executives of leading British companies.

The Long View

The danger of Galluping hysteria

NEVER MIND the ends, consider the means. My personal good wishes go to Sir John Cuckney, Mrs Thatcher and Sir Leon Brittan, on the simple grounds that since defence technology tends to be grossly over-engineered and often fails to work, it must make sense to buy a good deal of it pre-tested and second-hand.

However, the future of Westland, the issue which sent Mr Heseltine swinging so aggressively from tree to tree, is no longer the centre of attention. It is the antics of the cables and the arm-twisting which have grabbed the attention of Parliament and the public like a re-write of I. Claudius in the court of the Empress Margaret. Such goings-on! The opinion polls suggest ugly reactions from the pious, and there is no sign yet of a blunt Marcus Agrippa to sort things out.

If this proves anything more than a nine-week wonder—and indeed even if it does not—it will surely affect market and business sentiment for some time to come. A government which can get itself into such a spectacular mess over a side-issue cannot be trusted to ensure that everything is all right on the night. Until this row blew up, the City was quietly but solidly betting on a third term. Now the odds look longer.

Since an actual election may still be two years off, and since the row has strengthened the case for leaving it late, as so nearly worked in 1983, it would be a waste of time at this stage to speculate on what result is actually likely: who might form a coalition with whom in a hung Parliament; or what policies might result. The investor, and anyone else with business decisions to take, is concerned with something much more nebulous, but with much more

Until the Westland row blew up, the City was quietly betting on a third term. Now the odds look longer. Anthony Harris suggests that investors may be in for a bumpy ride.



immediate implications: how the balance of risks has shifted, and what action to take. This first advice is simply to fasten your seat belt. We have already seen in recent weeks what can happen when one volatile indicator attracts general attention. The sharp fall in the price of Brent oil for future delivery—down to about \$21 a barrel for May as I write—had already set off a small sterling crisis, a rise in interest rates and a deflation of Budget hopes before the political storm set in.

Now it is likely that the markets will respond increasingly nervously to the opinion polls. The information value of these polls is probably a good deal less than that of the oil futures market. It is possibly something to do with the breakdown of old class loyalties, which makes it far harder to construct a genuinely representative sample of voters; or perhaps the voters themselves are genuinely dithering. Whatever the reason, the polls have been increasingly inconsistent from day-to-day—and increasingly unreliable as a guide to things like by-elections since the three-party system became established.

But this makes it only the

more certain that we will from time to time read, as we have this week, that Labour or the Alliance have suddenly taken the popular lead, or even each of them on successive days, and that sometimes they will go on saying so for number of successive polls. That is likely to move markets.

Their gut reaction is likely to be that if Mrs Thatcher falls, inflation will rise, and the markets will be flooded with Government

debt. The real dangers may well be less than the market is likely to fear. Governments tend to be less radical about reflation when they are in office than they are in opposition, especially in their earlier years, when they can still blame their predecessors for any unpleasantness.

However, we are concerned here with fears, not with forecasting; and the fears will clearly be felt most keenly in the gilt market and in the exchange market.

Now you may think that these fears are already discounted, given that sterling is at present buttressed by an interest rate differential of about five full percentage points over the dollar. However, this is not a political but an oil discount; the gilt market has so far proved remarkably robust, with redemption yields about a point and a half above what the US government has to pay. This pattern discounts exchange rate problems rather than a large inflation differential.

The pattern might well be reversed if political rather than oil worries become the major market concern, with a

rising yield curve echoing past experience under Labour. Indeed, it should be remembered that one major item in the Labour programme would be its initial impact be bullish for the exchange rate—the scheme to repatriate foreign portfolio capital, probably through tax incentives.

The merits of this plan are not the issue here (I find myself for once in line with City opinion, and regard it as deeply and dangerously misguided). The point is simply how the market will react if it is seen to rise from an outside possibility to a probability—and it might well happen even under a coalition, since it is an article of faith for Labour, but appears to the Alliance simply a pragmatic side-issue.

The answer is probably that it is already partly discounted in short-term interest rates, because one or two fund managers have already started pushing past the upper limits of their normally preferred overseas ratio, simply so that if they are required, say, to repatriate half, they would still have an acceptable balance. So speculation on a policy which could drive the exchange rate up in future is helping to depress it now.

You see the general way the thing works. Apart from obvious sectoral points (a change would be good for construction, poison for potential rationalisation candidates), likely to be more volatile, with higher interest rates and much weaker conventional gilts than if political confidence is fully restored.

The final question is whether you regard this as a threat or a promise. What seems like hedging by those who believe the polls will offer amazing buying opportunities for those who want to back Mrs Thatcher with their money. This column will offer no guidance at all.

CONTENTS

Finance: Changing mortgages	V
Travel: India in less than a week	IX
Diversion: Uri Geller's metallic touch	X
Books: Retreat from Burma	XII
Arts: This one will run and run	XIII
Private view: David Steel on broadcasting	XIV

Arts	XIII	Gardening	VIII	Stock Markets	II, III
Books	XII	Finance and	VII	London	
Bridge	X	Family	VI	New York	
Chess	X	How to Spend It	XI	Switzerland	
Crossword	XIV	Motoring	IX	Tax	
Divisions	X, XI	Property	VIII	Tips and Radio	XIV
		Sport	XIV		

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MARKETS

Some frayed nerves as interbank rate races up

FRAYED NERVES in the stock market are plain to see. On Tuesday the interbank rate raced up to over 131 per cent, the pound started climbing in anticipation of higher interest rates and equity and gilt prices went swiftly into retreat. The Bank of England rushed in to inject £2bn into the money market to reverse the upward trend and intervened on the exchanges to steady sterling.

London

FT-SE 100 Index slipped to 1,370.1.

With all three of those indicators standing at what the technicians would describe as critical support levels, some recovery on the following days was perhaps only to be expected given that the money market had cooled down. And over night firmness on Wall Street helped equities to recover their composure.

But the oil price is still \$3 a barrel lower for Brent crude than it was in mid-December when the All-Share bottomed out at 662 and interest rates are a full point higher, which leaves shares looking rather expensive at the moment. The weekend meeting of Finance Ministers from the Group of Five is unlikely to provide a great deal of comfort for shares and next week could see prices volatile again. It will need lower interest rates rather than the expectation of a fall before the market finds itself a firm foothold again.

Electrical retailer, Dixons, meantime is not putting a foot wrong. This week it reported figures for the 28 weeks to November 9, showing a surge in profits to £30.1m, fully justifying the substantial re-rating of the shares over the past year. The inclusion of Currys obviously makes a nonsense out of comparisons with the £12.5m of first half 1984 but while the executives make no attempt to quantify the Currys contribution, the original business is still very much on song. Volume growth for the original chain was around 15 per cent in the half year while Currys romped home with a 23 per cent gain.

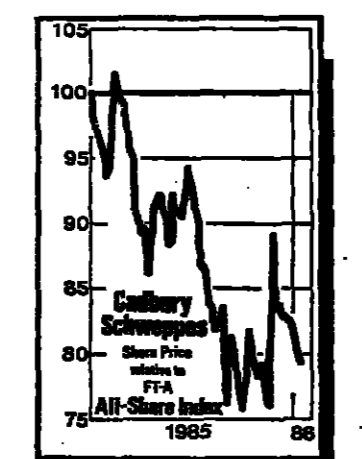
What is patently clear is that the £250m acquisition of Currys was a real snip and the speed with which improvements Dixons has made are coming through to the bottom line even faster than the most optimistic analysts could have

anticipated. For the full year profits should push past the £70m mark and may even get as far as £75m. Sales accelerated well over the Christmas period and with better gross margins and significantly lower interest charges the second half could be impressive.

There is still a lot more profit to be pulled out of Currys and next year could well see profits climb to £95m pre-tax dropping the prospective p/e to around 18. The stores sector as a whole is sitting on an earnings multiple of around 14 for the same period, including Marks & Spencer, and about 12 excluding the multiple giant. It does not take much imagination to see that the quality of Dixons' management deserves more than a couple of points premium over Mr Average.

Whereas Dixons scored a success with the City this week, Cadbury Schweppes came out with some very disappointing news alongside the announcement of negotiations to sell its beverages and foods divisions.

Those disposals came as no surprise. The activities, which take in Typhoo tea, Chivers Harlequin jams and Kenco coffee,



have struggled to make decent returns for years and the move is part of the Cadbury strategy to concentrate on confectionery and soft drinks. Last month it announced the buy-out of the health and hygiene division for £19m and the establishment of a joint venture with Coca Cola to produce and distribute the two soft drinks in the UK.

The bad news was that the North American division would make a loss for 1985 compared to a £37m profit the year before. The market had anticipated better.

The basic problem for Cadbury is that it is a relative giant in a US pond dominated by a couple of oversized piranha fish. It has around

7 per cent of the confectionery market. So it has had to rely on food brokers and outside distributors to run its business; Cadbury ran the factories.

The inherent weakness in the structure was spotted in 1984 and new management was installed but while the problem had been isolated its size had not been appreciated. The new men are believed to be on top now but that still means group profits for the year could come out at £90m against £124m. At the beginning of the week the market was looking for £105m to £110m.

Cadbury may well have been tempted to shove all the costs of sorting out the US and reshaping the group into last year and start with a clean sheet. But potentially that has left the group more vulnerable to a bid per cent for months.

The price still contains an element of bid premium; it would be more like 130p to 140p on fundamentals, but not enough to put off an aggressive bidder, though Coca Cola is a potential white knight.

Guinness is better for shareholders than they might have imagined. For the year ended last September, pre-tax profits rose by 22 per cent to £36.1m, a clear £3m higher than the prediction at the time of the Arthur Bell acquisition.

Sales of draught Guinness performed well, especially in Britain where volume growth was over 6 per cent, more than offsetting the drop in bottled stout sales. Brewing activities overall pushed profits up from £59.4m to £68.5m despite the handicap of currency translation on earnings from Nigeria and Malaysia. But, ironically, proportionately lower sterling profits from these areas actually enhance quality of group earnings in the eyes of the London market.

The most impressive numbers, however, originated in the fast expanding retail division. With the help of acquisition, profits were ahead by 34 per cent at the pre-tax level, accounting for 14 per cent of the group total. Margins at Martin, the Newsagent, have been pushed up from 21 per cent to 4 per cent, so Guinness is well on the way to the 5 per cent target it set at the time of acquisition.

Taking in a full year from Bell profits could reach £130m pre-tax in 1986 although growth at the earnings per share level will be minimal — but that is what the market expects and one year's stagnation in eps is not going to undermine the shares.

Terry Garrett

HIGHLIGHTS OF THE WEEK

	Price	Change	1985/86	1986/86	
	y/day	on week	High	Low	
FT Ordinary Index	1,118.7	-1.1	1,189.6	911.0	Interest rate and political uncertainties
FT Gold Mines Index	342.3	+43.8	536.9	217.6	Bullion price touches 18-month high
Beatson Clark	185	+17	184	137	Takeover speculation
Berisford (S. and W.)	137	-16	189	132	Tin crisis continues
British Aerospace	437	-24	453	296	Westland situation
Davenport's Brewery	370	+52	370	257	Conditional bid from Wolf and Dudley
De Beers Deft	424	+51	450	353	Firm mines/recent gem sales fig.
Distillers	567	+36	567	270	Argyll Group bid situation
Dixon (David)	284	+60	284	116	Possible merger with A. and J. Gelfer
Dixons Group	940	+33	970	522	Interim results and scrip issue
Dowty	181	-19	227	163	Disappointing interim figures
Gomme Holdings	80	+21	83	30	Bid from Millmine
Magnet and Southern	130	-12	150	104	Disappointing interim results
North Kalgurli	47	+7	53	28	Sharp rise in bullion price
Oliver Resources	27	+9	194	13	Celtic Sea exploration hopes
Parkland Textile A	114	-19	120	88	Broker's bullish circular
Turner and Newall	126	+36	126	50	Reduced asbestos disease claims
Tusk Resources	28	+7	39	18	Celtic Sea exploration hopes
Wagon Finance	136	+12	143	58	Agreed bid from MAI
Watson (R. Kelvin)	266	+24	266	81	Bid from Coopervision

Building on DIY stores

IF THE Unlisted Securities Market's first offer for sale of 1985 is any precedent, the year is going to be an interesting one for new issues.

Wickes, the building materials and do-it-yourself group which yesterday published the prospectus for the sale of nearly 3m shares at 140p a share, attracts attention on several counts — not least that it is set to become one of the biggest companies on the junior market.

According to the latest published statistics from Hoare Govett, the broker, Wickes' market capitalisation of £46.2m at the offer price is bettered only by Saxon Oil (£120.3m), Asprey (£83.1m), Aspinall Holdings (£77.5m), United Friendly Insurance (£65.7m) and Central Independent Television (£53.3m).

Most USM companies take time to achieve a market capitalisation of this order, and by the time they have done so they are often ready for a move to a full listing.

Wickes could well have gone straight to the main market were it not for the fact that the Stock Exchange requires 25 per cent of a company's shares to be in public hands for a full listing, for Wickes is offering only 15 per cent of its enlarged share capital.

This is because although Wickes is a self-contained European retailing organisation, it has until now been a wholly-owned subsidiary of Wickes Companies Incorporated, the US conglomerate which sought

protection from its creditors in 1982 under chapter 11 of the US bankruptcy code. WCI emerged from this trauma last year after a reconstruction.

The European operation, comprising 22 stores in England, 23 in the Netherlands and 11 in Belgium, has operated autonomously since April 1982 and was not directly affected by these proceedings, but it did suffer from having capital funding for the parent group cut off. This restricted its rate of

USM UNLISTED SECURITIES MARKET

store openings at a time when other DIY retailers were expanding quickly.

Today there are no cross-borrowings between the two, and Wickes says there will be none in future. Wickes is therefore turning to the equity markets to find capital for expansion, but WCI's reluctance to see its holdings in this profitable subsidiary diluted has limited the size of the issue.

With interest charges soon to be wiped out by the proceeds of the offer for sale, and the prospect of recovery from the hitherto loss-making Netherlands operations, profits of £6m seem likely for the current year, putting the shares on a prospective p/e ratio of 11.8.

In the absence of any comparable USM with which a direct comparison can be drawn, it is difficult to arrive at a verdict on the rating.

The nearest equivalent is Hampden Homecare, the retailing group which operates Texas Homecare DIY stores in Northern Ireland under an exclusive franchise agreement with Home Charm, the owner of the British chain of Texas stores. Hampden came to the

USM on a pro-forma prospective p/e of 12.6 for the year to December 1983, so the current year p/e would probably be a little lower than Wickes'.

The main market is a better source of comparisons. DIY is, after all, a highly buoyant market and retailers have not been slow to exploit it.

Ironically it is this very buoyancy which gives rise to caution over the Wickes flotation, for the competition between so many big retailers is becoming painfully apparent.

Home Charm's shares are now close to their year's low and worries that B & Q's performance might not live up to expectations — hit Woolworth's shares yesterday. Meanwhile Marley's Payless chain is up for sale.

Wickes argues with some justification that it is not quite like the others: it specialises in the "heavy" end of the market, supplying products for structural home improvement jobs.

There is, however, an overlap and Wickes is in direct competition with the others for expensive out-of-town sites.

Wickes does have its attractions. For example, it has a strong management team which has turned the group round in difficult circumstances. The recent move into financial services, through which Wickes will offer mortgage and home improvement loans, insurance and removals on an experimental basis at two of its UK stores, shows imagination.

The offer for sale makes for a difficult exercise in weighing up the prospects and the price, but one thing seems certain: the group may have succeeded in persuading the market that it is in the stores sector and not the building materials one, but it is not Laura Ashley.

Richard Tomkins

Spotlight on bid target

IT IS almost certainly too late in the piece for MACARTHYS to squeeze a little extra into its interim results due on Tuesday to help it in its battle to fend off the bid from Jodelle, a new company owned jointly by John Govett and a number of pension funds and investment trusts.

However, the bid will shine the spotlight on to results which for years have not been deserving of too close a scrutiny. Macarthy's profits have been stuck in a trough for about five years, with the company reliably turning in about £4m pre-tax. The benefits from a programme of rationalisation should just start to show this year, with Macarthy's producing interim profits about 10 per cent higher at about £2.3m. Most



Lord Delfont

of the profits growth will come from the largest distribution division which should have had a better first half despite the effects of government interference in the market.

Lord Delfont's record in pleasing shareholders in his FIRST LEISURE CORPORATION

is as good as that in entertaining the thousands of holiday makers that pour into his Blackpool tower each summer, or those who step out at the Empire in Leicester Square.

The preliminary results due on Tuesday should be no exception, showing growth of nearly 40 per cent in pre-tax profits to £9m. All divisions should have done well: discos and sports clubs should have had a record year, as the policy of continual redecoration and improvements keeps the public's interest active.

One might have expected such a wet summer to have been a washout at British resorts, but Blackpool Tower, now said to be the most profitable leisure spot in the UK, had its best year yet with about 1m people passing through its doors.

ANGLIA TELEVISION'S interim results in June made gloomy reading — and these figures had been restated so as to exclude a share of losses by associate SodaStream. With the SodaStream stake now disposed of to Cadbury Schweppes for around £6m, the second half should have been better and the City is hoping that pre-tax

profits in excess of £3m (against £4.3m in 1984) will be posted on Wednesday.

The gain on the disposal will appear as an £2.5m extraordinary item and the cash will have helped fund at least a maintained dividend.

Welcome though the elimination of this loss-maker will be, the market will also be keen to see signs of an improvement in Anglia's performance as a television company. Transmission

Results due next week

costs rose sharply, by a sixth, at the interim while advertising revenues grew more modestly. The November productivity deal with technical staff came too late to help as the financial year ends in October.

With the exception of financial services associate, East Anglian Securities, where a loss could be recorded, the First Leisure and Hong Kong Tele vision interests should help fill some of the advertising revenue gaps.

The UK's largest market research company, AGB, is due to produce interim results on Tuesday. Given the usual seasonal imbalance in the company's results, the City is expecting £4.2m for the first half against forecasts for the year of £11m.

Sir Bernard Audley, AGB's chairman, is thought by analysts to be planning various measures to tidy up the balance sheet. Net debt was £20m at the year end, some 50 per cent of shareholders' funds, and there has been concern that yet another rights issue could be on the way.

However, the sale and lease back of the group's Hangar Lane head office should generate £7m when it is completed and a further £4m or so should come from the sale of a 40 per cent stake in Australian subsidiary, McNair Anderson.

A further measure on the balance sheet could well be the writing off of accumulated goodwill in this financial year. In trading terms a strong recovery in Europe is expected, led by Italy (where the £13m revenue contract to monitor television audience ratings is now underway) and Germany. The stronger presence in Australia (in addition to McNair Anderson, AGB has taken stakes



Bernard Audley

in Tart Research, the local SRG unit and in Spectrum) may not impact yet due to the weak dollar.

Shareholders will also be looking for news on AGB's US plans — a determination to tackle Nielsen, the world market research leader, in its home market was signalled by Sir Bernard last summer. AGB is about one-sixth the size of Nielsen.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND DEALS

Company bid for	bid per share**	Market price**	before bid	of bid	Bidder
Prices in pence unless otherwise indicated.					
Blundell-Pringle	200**	198	146	15.57	Reed Int'l
Business Comptr	261**	25	25	1.58	Electronic Data
Charterhouse Pets	1051**	104	86	146.09	Petrofina
Cole Group	388*	323	240	11.08	Low & Bonar
Dean Park Htts	55*	54	54†	6.10	Queen's Moat Hlcs
Dew (George)	94**	86	82	7.22	Brenmar
First Castle Elec	541**	567	510	1.955bn	Argyll Group
French Rile	287*	284	334	141.32	Morgan Crucible
Gomme Hlcs	87*	80	59	11.22	Millmine
Imperial Group	238**	235	242	1.807bn	Hanson Trust
Kitchen Taylor	210**	207	185	5.17	Scott Hlcs
Macarthy's Phar	285**	270	285	34.90	Jadelle
Needlers	168**	160	150†	3.27	Hilldown Hlcs
Pearce (C.H.)	694**	675	725	26.19	Crest Nicholson
Pethow Hlcs	51**	50	48†	6.91	Anglo-Nordic
Plessey	162**	168	176	1.175bn	GEC
Pyke (Hlcs)	418	400	348	16.21	Hilldown Hlcs
Sangers Photo	40**	78	30	3.04	Mr J. Pearce
Somportex	28**	172	27	0.79	Misses N. Wray & C. Matlock
Sonesson	190**	117	113†	3.23bn	Fermenta
Sparrow (G.W.)	80	81	78	1.30	BET
Spencer Clark	140*	136	131	7.03	Williams Hlcs
Thomson T-Line	50*	136	48	0.50	Diamond
Towngrade Secs	32**	33	37	1.67	Millbank Dev
Utd Biscuits	319	240	278	1.294bn	Imperial Group
Utd Com & Tech	95**	110	70	2.38	Beaver Hlcs
Wagon Finance	139**	136	124	2.25	Coopers Hlcs
Watson (R. Klvn)	275	266	248	NAI	Wynham Group
Williams (J.)	241**	29	20	1.42	Wynham Group
Yarrow	405**	500	485	11.63	Weir Group

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. ** Based on January 17 1985. †† At suspension. §§ Shares and cash. ††† Related to NAY to be determined. ¶¶ Loan stock. †††† Swedish Kroner.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Earnings* per share (p)	Dividends* per share (p)
Bett Brothers	Aug	824 (1,320)	3.1 (5.8)	3.1 (3.1)
Body Shop	Sept	1,930 (1,040)	20.4 (12.0)	3.0 (—)
Cons Tern	Sept	317 (736)	6.5 (17.4)	3.2 (—)
Countryside Prop	Sept	2,530 (2,210)	29.7 (24.7)	5.74 (5.04)
County Prop	Sept	6,410 (5,330)	29.3 (22.7)	3.5 (2.27)
Eurotherm Hlcs	Oct	9,000 (7,130)	19.7 (15.2)	4.73 (4.0)
Gestetner	Nov	11,580 (8,250)	13.5 (9.6)	1.3 (1.06)
Gorring Kerr	Sept	2,650 (2,240)	26.1 (19.9)	10.3 (8.25)
Guinness	Sept	86,100 (70,400)	25.3 (23.0)	7.2 (6.44)
Howard Group	Sept	3,310 (1,750)	16.1 (7.4)	3.15 (—)
Hunterprint	Sept	2,830 (2,020)	23.5 (22.5)	4.7 (4.0)
Jones, Ernest	Sept	304 (702)	4.6 (4.0)	2.5 (3.9)
Lincroft Kilgour	Sept	1,340 (1,150)	19.4 (18.3)	7.0 (5.5)
London & Clydes	Sept	1,650 (2,990)	12.7 (18.0)	5.6 (1.3)
London Scot Fin	Oct	1,810 (1,860)	7.0 (6.7)	3.0 (2.8)
Perkins, J. Meat	Sept	601 (468)	4.4 (4.0)	1.2 (—)
SGP	Sept	13,900 (11,010)	18.4 (15.4)	7.5 (6.3)
Sihra Bas Lease	Sept	1,910 (1,530)	11.4 (9.1)	2.7 (2.25)
Stange Hlcs	Sept	7,360 (4,900)	14.9 (10.5)	6.0 (2.0)
Towngrade Secs	June	85 (238)	1.5 (4.6)	1.1 (1.0)
THF	Oct	129,000 (108,900)	11.1 (9.8)	5.45 (4.74)
Whitworth's Foods	Sept	1,040 (819)	5.7 (5.1)	2.0 (—)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)	Interim dividends* per share (p)
Blair, George	Sept	252 (111)	1.15 (—)
Cap Group	Oct	1,240 (875)	0.5 (—)
Davy Corp	Sept	4,480 (4,330)	1.1 (1.1)
Dixons	Nov	30,100 (12,500)	2.31 (1.92)
Dowty	Sept	17,750 (20,080)	2.3 (2.2)
Electron House	Nov	230 (126)	1.4 (—)
First Security	Oct	468 (46)	1.2 (—)
Howard Group	Sept	4,190 (4,010)	0.9 (0.9)
Jones Stroud	Sept	2,020 (1,540)	3.0 (2.3)
Magnet & Sihra	Sept	12,110 (16,920)	2.0 (2.0)
MS International	Oct	1,240 (1,500)	0.5 (—)
Multitech Elect	Sept	735L (—)	— (1.1)
Park Food Group	Sept	1,810L (1,640L)	1.4 (1.2)
Ratners	Oct	155 (560L)	0.75 (0.67)
Stead & Simpson	Sept	2,480 (2,480)	1.1 (1.0)
Stewart Scott	Sept	27 (12)	3.0 (3.0)
Wigfals	Oct	539L (487L)	— (—)
Wyko Group	Oct	1,010 (891)	1.1 (—)

(Figures in parentheses are for the corresponding period.) * Dividends are shown net pence per share, except where otherwise indicated. † Figures for 12 months out of an 18-month period, due to change of year end.

SCRIP ISSUES

Body Shop International—One for one.
London Scottish Finance Corporation—One for four.

RIGHTS ISSUES

Cannon St Investments—To raise £3.2m through a one for four rights issue of ordinary shares or five ordinary shares for every four preference shares held at 82p.

Electron House—To raise £3.15m through a rights issue on the basis of four units for every nine ordinary shares held at 20p. One unit equals one ordinary share and one 6.5 per cent convertible cumulative redeemable preference share.

Walker, C. and W.—To raise £2.3m through a one for two rights issue at 55p.

OFFERS FOR SALE PLACINGS AND INTRODUCTIONS

Klearfold—Offer for sale of 5.1m shares at 118p.
Macro 4—Offer for sale of 5.4m shares

Erratic week in New York

IN A week when final quarter results for the 1985 financial year began to flow across the apes, Wall Street might have been expected to have its eyes firmly fixed on domestic events. Instead, two overseas developments had more impact in the behaviour of stock prices, contributing to an erratic and largely trendless trading performance.

The first was the statement attributed to Mr Martin Bangemann, the West German economics minister, to the effect that the US was planning a co-ordinated effort to force down interest rates that would be discussed at this weekend's group of five meeting of Western finance ministers.

Although there was some doubt as to whether Mr Bangemann was quite as positive in his remarks as the initial reports suggested, American officials maintained an uncharacteristically stiff upper lip on the subject, the story was enough to turn around a sluggish bond market and send yields tumbling down.

Wall Street

On Wednesday, shares took an immediate lead from this more hopeful view on interest rates, rising by more than 3 points on the day.

The second external stimulus to the market was delivered on Thursday by strengthening indications of downward pressure on oil prices. Airline stocks, which have lost some glitter because of the renewed far discounting war, took off on the prospects of cheaper funds, and the ebullient mood spread across the market, driving the Dow Jones Industrial Average up by more than 14 points.

Meanwhile, the first batch of results has not produced many genuine surprises, except perhaps in the high technology sector. The banks have come through with some attractive-looking increases, but they were not greatly out of line with what the market was looking for from a quarter of declining interest rates.

After announcing a 25 per cent quarterly earnings increase, achieved after considerably strengthening its loan-loss provisions, Chase Manhattan share price, for

example, rose by only \$1 to \$73.

General Electric, first of the big manufacturing companies to report, also came in with some predictable results, though in this case very drab ones, which were saved largely by a healthy contribution from its financial services division.

With earnings up by only 2.5 per cent on the year, GE has moved roughly in line with the economy, suffering in particular in its heavy engineering sectors. Its sombre assessment of prospects, arguing that the company is unlikely to see any rebound and that the economy will remain sluggish this year, gave little support to the Wall Street opinion-makers, who are beginning to detect signs of a strengthening recovery in economic activity. GE's shares

In the high tech sector, however, the week produced fairly compelling evidence that a recovery of sorts was getting underway—yet another significant pointer to the twin track economy which has begun to emerge over the last three years, with some sectors moving ahead quite out of step with others.

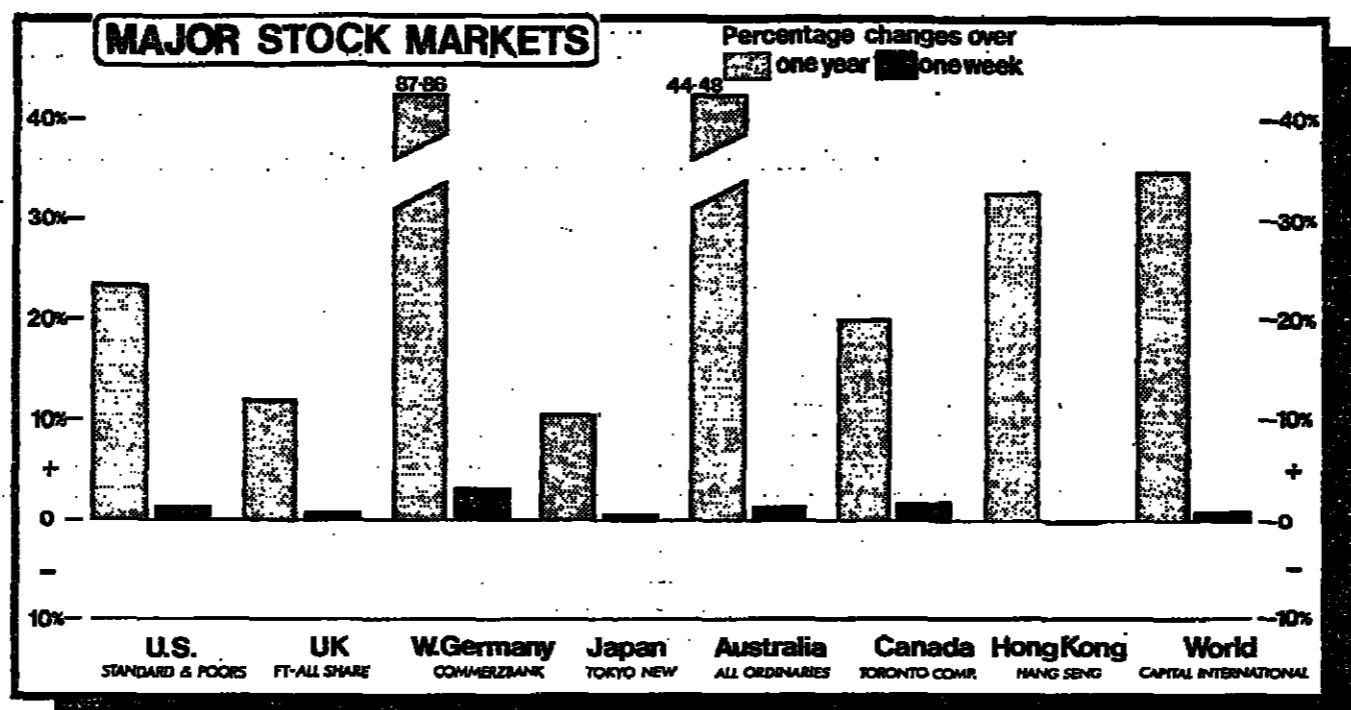
Digital Equipment, the world's second largest computer group, gave a particularly strong boost to the sector with a 23 per cent quarterly profits increase, due, it said, to a combination of currency factors, cost controls and the introduction of new products.

The shares jumped \$41 to \$141, a new high, and were followed up by shares in Honeywell, which showed equally spectacular results in its fourth quarter. Apple Computer, which generated record profits in the last three months of the year, and a host of other computer groups.

All the excitement over computers was enough to give a big boost to IBM's share price ahead of yesterday's figures, when the industry giant roared in with a 23 per cent gain in profit for the quarter at \$2.68bn. However, a sober warning about the lack of 'convincing evidence' that the US economy was showing a sustained improvement, knocked the market euphoria on the head, and the shares fell by \$21 in the first hour of trading.

Monday 1520.53 + 7.00
Tuesday 1519.04 - 1.49
Wednesday 1527.29 + 8.25
Thursday 1541.63 + 14.34

Terry Dodsworth



Gold puts the bears to flight

ANGUISHED growls came from bears nursing singed paws in the gold market on Thursday. After rising \$6 to \$346.25 per ounce on the previous day the bullion price shot up to just on \$380 at one time—the highest for 19 sleepy months—as the bears rushed to cover their short positions.

Of course, it is never difficult to find those who decry investment in gold and who speak contemptuously of 'gold bugs'. Indeed until this week, the price

Mining

stubbornly refused to respond to background positive factors.

They include concern at the huge US deficit, Third World debts, the occasional US bank failure, weakness in the dollar, unrest in South Africa—the world's biggest producer of the metal—and a good industrial demand.

On the other hand, the bears have pointed to negative factors such as lower oil prices, reportedly heavy Russian sales of gold, high interest rates and—perhaps most important of all—low inflation in the US and Europe coupled with more attractive alternative investment opportunities for money. So against this balance of bull

GOLD MINE NET PROFITS				
	December quarter	September quarter	June quarter	March quarter
Beatrix	9,880	6,727	13,884	11,927
Blyvooruitzicht	18,229	15,077	4,215	3,313
Bracken	4,096	32,169	\$45,950	\$23,685
Bufofontein	27,492	13,911	12,802	15,553
Deekraal	18,361	15,264	18,299	15,487
Doornfontein	130,355	102,549	122,207	111,154
Driefontein	19,367	16,471	11,349	11,617
Durban	19,529	24,521	15,510	27,718
Ergo	113,937	14,457	\$3,869	\$1,388
ERPM	8,059	4,929	6,856	3,909
East Transvaal	53,309	42,649	23,918	27,595
Elandsrand	na	47,879	23,918	27,595
FS Goldfield	9,628	6,940	5,186	7,280
Grootvlei	59,949	46,088	54,455	36,497
Harmoney	45,643	32,966	36,519	31,280
Harthebeest	25,093	21,067	18,009	16,494
Kinross	74,330	58,000	57,813	57,579
Kloof	3,509	4,075	4,156	4,217
Libanon	16,176	12,724	13,737	12,616
Lorraine	12,115	12,980	12,749	12,734
Marieval	906	587	807	1,006
President Brand	na	74,880	46,209	56,698
President Steyn	na	24,187	31,117	34,378
Randfontein	84,913	64,758	77,100	57,942
St Helena	25,668	23,768	17,422	15,700
South African Land	1,189	1,081	944	1,329
Stilfontein	10,127	7,702	17,053	9,072
Unisel	16,820	13,950	12,140	10,685
Vaal Reefs	188,267	111,886	111,839	114,265
Venterpost	5,400	2,523	3,427	5,799
Village Main	742	612	585	327
Vlakfontein	1,213	764	643	785
West Rand Consolidated	4,618	944	2,592	2,345
Western Areas	24,058	12,856	4,886	5,656
Western Deep	145,339	89,013	\$2,954	\$7,272
Western Holdings	81,662	48,506	47,444	47,444
Winkellhaak	20,159	18,490	17,249	13,978

*Restated. †State aid overclaimed. ‡After receipt of State aid. §Accounting charge. ‖Loss.

and bear factors it has been a case of "when in doubt, do nowt" in the bullion market. Something new, it seems, has provided the trigger but nobody is very sure what it is. Plenty of reasons have been put forward ranging from Middle East investors moving

their money from dollars to gold as a result of the tension between the US and Libya, the US call for lower European interest rates, to reports—since denied—that the Japanese were buying in preparation for an issue of gold coins. At all events, the initial price

rise was enough to get speculative buyers jumping on for the ride, excite the followers of charts and send the bears scurrying for cover. Inevitably the price quickly succumbed to profit-taking on Thursday.

Just what happens next is anybody's guess. Some feel it has all been a flash in the pan while others believe gold has at last moved back on to a rising trend. At all events, it might be as well for shareholders in gold mines to tread cautiously.

They have been piling into the South African issues, partly as a result of the sharply increased December quarter profits and half-yearly dividends announced this week. Because of the weakness of the South African rand during the quarter the mines have been receiving record domestic gold prices of about \$27,500 per kilogramme while the US price has been about \$325 per ounce.

Since the end of the quarter, however, the rand has tended to improve while the dollar has eased. Consequently when the dollar gold price closed at \$362 on Thursday, its rand equivalent was below the December quarter average at about R26,800.

Furthermore, it should be remembered that if gold prices rise further, quite a few of the more marginal mines have already sold forward part of their production and it is these mines which would otherwise gain most from the gearing effect on profits of rising gold prices.

Still, all the mines are doing nicely as it is and notably good final dividends have been declared this week by Vaal Reefs and Western Deep.

Kenneth Marston

New curbs ease heavy trading

THIS WEEK the Zurich stock exchange had to apply the brakes. Trading had become so heavy that sessions were running far over the legal time limit. Restrictions on second run-through have since brought the close of dealing back by up to two hours. Business volumes have fallen off correspondingly, but nobody feels that the Swiss equities bonanza is anything like over.

All three major bourses had a bumper 1985. Total turnover on the Zurich stock exchange rose by 46.5 per cent last year to SwFr 308,240m, while increases by at least 25 to 30 per cent are expected for Geneva and Basle. The Swiss Bank Corporation shares index went up in the course of the year by 57 per cent, gaining a further 6 per cent in the first few trading days of 1986 to reach a record of 673.4 points on January 8.

It has since slackened off, but most observers believe a 700 index is only a matter of time. One reason for this is the virtual certainty that the majority

home and abroad is therefore likely at least to hold, Switzerland's stock exchanges are hard at work expanding. The new Basle bourse, due for official inauguration at the end of February, actually opened for business earlier this month and has now extended nine-month forward trading to include bank shares. Always something of a pioneer, Basle is also looking at the possibilities of special ring trading in venture capital stock. Geneva, which is soon to open its new premises, is said to be considering the venture capital idea, too.

Zurich still has some years to wait for its new stock exchange but, in co-operation with Geneva, is to extend three-month forward trading to bank and insurance shares on February 1. According to bourse chairman Dr Nicolas J. Baer, traded options are foreseen for next year and futures for a later date.

There is definitely no lack of new equities on the market. In the first eleven months of 1985, total issues amounted to SwFr 2.1bn, a rise of a good 25 per cent over the same period of the previous year; this increase was due particularly to a near-doubling—to SwFr 1.2bn—of the value of new bank shares.

A particular phenomenon of the past months has been the popularity of participation certificates. Although these confer no voting rights on their holders, they are snapped up as soon as they hit the market. In the second half of last year, these dominated the market, raising a total of over SwFr 500m. The first certificate issues of this year have already been announced, one of them being linked to a Euro-equity deal by the Bernese-based Swiss Volksbank.

The participation certificates are naturally popular with the companies who issue them, in that they mean no weakening of corporate control. The same goes for registered shares. These are generally reserved for Swiss holders but, as has frequently been shown, registration can be refused to 'undesirable' domestic investors. Recent issues have been relatively modest, however, raising less than SwFr 31.7m in the second half of 1985. Growth will probably be restricted mainly to rights issues in future, since protection is much more complete with participation certificates.

John Wicks

Zurich

of listed companies will be showing better results for last year than for 1984. Most interim reports point to a rise in earnings and the likelihood of numerous dividend increases.

Admittedly, the marked upswing in share prices has made Swiss equity yields even more modest than usual at an overall average of about 1.8 per cent. Prices are still reasonable in an international comparison, however, and made more attractive by their resilience, the strong Swiss franc and a corporate dividend policy which has become much more generous over the past couple of years. Also, overall interest levels are low in Switzerland, where inflation could well fall this year to the 2.2-2.5 per cent bracket or, as the National Bank hopes, to as low as 1.5 per cent.

At the same time, the domestic investing public is being substantially reinforced by the sharp growth in pension-fund portfolios. Following the recent introduction of a far-reaching occupational pensions law, these could expand from SwFr 113bn in 1983 to at least SwFr 200bn by 2000. As yet, these funds have put only a fraction of the statutory 30 per cent maximum into equities. While demand from both

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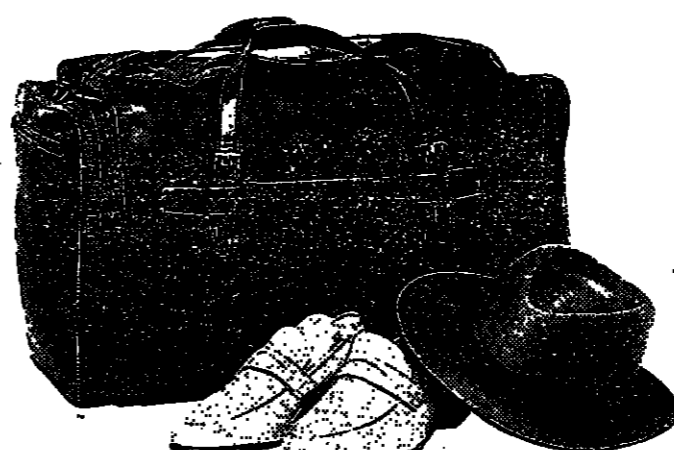
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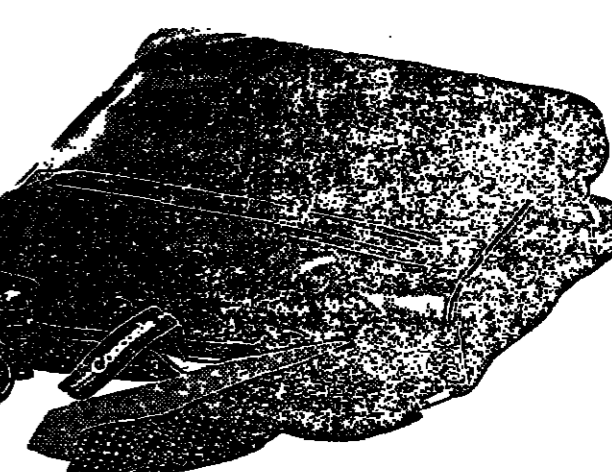
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Banking deluxe

LOYDS BANK has decided to woo the wealthy. It has opened a branch at 100 Pall Mall in London providing a special service exclusively for the well-heeled.

Customers, who must have a minimum of £250,000 in liquid assets to qualify, are being offered the full range of the banking and trust services, and their own personal account executive. The bank will even offer to make hotel and travel reservations as part of the total private banking package.

"It's a bit like a return to the old days, when we had private ledgers for certain special customers," according to Paul Holmes, manager of the new branch. "Customers won't have to queue at the counter; any money they require will be brought to them while they discuss their needs with their personal manager."

Customers will also have

silver, instead of green, cheque books. There will be no banking charges if a current account balance is maintained, but a fee of one per cent will be levied on the trust branch services such as portfolio management and investment advice.

Mr Holmes said that so far Lloyds had only provided the more personal service required by the wealthy in a fragmented way. Now it would be able to offer the same kind of service provided by some of the smaller banks for wealthy clients with the additional advantage of being able to utilise the international network of overseas branches.

This was expected to be of particular appeal to foreign customers in London.

BARCLAYS BANK has followed the other clearing banks and raised the interest rate on its high interest cheque book account, the Prime Account. This will pay 9.44 per cent net CAR putting Barclays into the lead among the four main clearing banks.

But Citibank maintains its market lead paying 9.50 per cent net CAR on its Money Market Plus account and also requiring a smaller minimum balance of £1,000.

Barclays has also improved the return on its investment accounts, now paying 9.55 per cent net CAR on one month deposits, 8.98 per cent net CAR on three month deposits and 8.75 per cent net CAR on six month deposits.

THE NEWLY merged Alliance and Leicester building society is expanding the range of discounts and special offers for members who hold its discount card. They include discounts of 10 per cent on kitchen units bought from Boulton and Paul Joinery, 10 per cent on cases of wine purchased by mail order from the Noble Grape Wine Warehouse at Wapping; 5 per cent on tyres, exhausts, batteries and shock absorbers at Tyre-services, up to £52 on Elswick-Falcon bicycles and various discounts on dry cleaning at Skechley. Other special offers are £5 free spending money for every £100 spent on a Page and Moy holiday and discounts of up to £20 on Ladbroke Holidays.

The card is an extension of the former Leicester card, which also gives discounts at over 11,000 local retail outlets listed.

•

ANDREW LLOYD WEBBER'S Really Useful Group did not get quite the enthusiastic reception that many in the City had been expecting. It was only one and a quarter times oversubscribed at the minimum price and the strike price was set at just 10 pence, above the minimum at 330 pence. Before the issue it had been expected that the strike price would be at least 350 pence and possibly 400 pence.

At 330 pence the company was valued at \$36.3m. Institutions largely stayed away with the bulk of the share applications coming from private investors.

•

Temporarily forsaking the

chilly sales of London this week,

Templeton seemed determined

to continue his long run of suc-

cess. Living at Lyford Cay, his

neighbours get a tremendous

thrill out of a lower golf score

or catching bigger fish; I try

that and it gives me a feeling

of wasting time," he said.

Templeton operated in New

York in the early part of his

career, but sold out his success-

ful fund management business,

keeping only Templeton

Growth. At the age of 56 he

moved to Nassau, built a white,

columned house and started

over again.

Certainly the offshore view-

point has fitted in well with

Templeton's global perspective.

He has never been afraid to

scour the world's markets to

find value. He was a pioneering

investor in Japan in the

1980s — with the result that

when Tokyo prices zoomed in

the early 1970s he found that

Japanese stocks accounted for

more than half the value of

his mutual funds.

"We were buying the very

finest companies on three times

earnings," he said. "Now the

average large company in Japan

is on 26 times earnings, and

the index of small companies is

on over 40 times earnings.

Under these conditions we just

can't find bargains."

Where are the top values to

be found today? "In the last

few months we have been find-

ing an unusually large number

of undervalued companies in

America, in Canada, in

Sweden, the Netherlands, in

Spain, and we are finding a very

large number — except that we

aren't allowed to buy them —

in South Korea."

•

IT IS hard to find much wrong

with Lowland Investment Trust.

In the league tables of invest-

ment trust share price per-

formance, published last week

by the Association of Invest-

ment Trust Companies, Lowland

comes top not just over one

year, but over two, three, five

and seven years. Over 10 years

it comes second.

Investment trust share price

performance is a less straight-

forward measure of investment

skills than unit trust per-

formance. The share price is

governed not just by the fund

manager's success in picking

shares that will go up in price

— measured by the trust's net

asset value — but also by the

stock market's perception of the

trust.

A trust may gain from being

the target for a takeover.

Or it may benefit from a nar-

rower discount: most invest-

ment trust shares are priced

at less than the underlying net

asset value of their portfolios,

but this discount can vary. Some

investment trusts are even

•

clients — which will normally

mean a discount of 3 per cent

when switches between unit

trusts are made.

"We can live comfortably off

a 1 per cent fee a year," said

Mr Stephen Cooke, managing

director of Montagu Financial

Services. So we can afford

to give free switching once the

commission on the initial in-

vestment has helped pay the

costs."

Mr Cooke said that no initial

charges would be made on unit

trusts, portfolios being trans-

ferred into the scheme and

favourable terms had been ne-

gotiated with a number of man-

agement groups for share ex-

changes.

Montagu also plans to offer,

for a 1 per cent charge, a "bed

and breakfast" facility,

which can be used by investors

to transfer their capital gains

tax liability to the most suit-

able period.

John Edwards

Barry Riley talks to a guru from the Bahamas on his London stopover

Searching for bargains worldwide

TOP US fund managers tend to be just that little bit larger than life. John M. Templeton certainly fits that description. His operational base is the exclusive resort club at Lyford Cay in the Bahamas, a playground of the ultra-rich, and he has set aside \$5m to endow the 36th college of Oxford University. Templeton College (named, he insists, in honour of his mother and father).

Templeton is worshipped by 400,000 US and Canadian investors in his mutual funds; more than 700, for instance, turned up to the annual meeting of the Templeton Growth Fund in Toronto last summer.

His funds have prospered through the application of a maverick investment philosophy based on spotting the bargains nobody else wants to touch.

The veteran 73-year-old likes to emphasise his 45 years of experience at running an invest-

ment counselling firm. His oldest current fund dates back

more than 33 years, and any-

body who put \$10,000 into it at

the beginning would now have

an investment worth over \$1.3m,

assuming all dividends and dis-

tributed capital gains had been

reinvested.

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chilly sales of London this week,

Templeton seemed determined

to continue his long run of suc-

cess. Living at Lyford Cay, his

neighbours get a tremendous

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Where are the top values to

be found today? "In the last

few months we have been find-

ing an unusually large number

of undervalued companies in

America, in Canada, in

Sweden, the Netherlands, in

Spain, and we are finding a very

large number — except that we

aren't allowed to buy them —

in South Korea."

•

He does not see much

opportunity in Germany, nor in

the UK where his only sizeable

investment appears to be

National Westminster Bank.

"We do like British investments,

but we haven't found them to

be cheap enough," he explained.

In general, however, he is a

bull of the world's equity mar-

kets. "We think that the

world's stock markets are still

selling for a little less than the

companies are worth," he said.

"And therefore there is no

great danger. Some people are

fearful that there will be a col-

lapse in share prices. We are

not, because those things hap-

pen after excesses, and there

haven't been excesses yet."

"Also, the quantity of cash

that is going to be available to

buy shares is growing so rapidly

that there may actually be a

shortage of shares in, say, four

or five years. We think that

shares are likely to rise by an

average of as much as 18 per

cent a year, worldwide."

John Templeton himself

could be even more well-

supplied with cash in a few

weeks' time. He is floating his

investment management com-

pany Templeton, Calbraith and

Hansberger on the London

Stock Exchange and with a

handful of colleagues could pick

up some £75m for selling a

quarter of the equity to the

public.

He admits that estate plan-

ning is a major reason for the

move, but religious charities

could well benefit from his good

fortune. Already he sponsors

several major religious awards.

Unusually in the securities

business, he combines an active

faith in God with a highly

profitable interest in the affairs

of Mammon. Templeton starts

all his business meetings with a

prayer and hopes that his in-

vestment decisions will help

him to "work in harmony with

God's purposes."

•

He does not leave everything

to God's will, however. This

week, as usual, the trousers of

his well-tailored suit were

firmly held up by both a belt and

braces.

Although born in Winchester,

Tennessee,

Switching home loans at a cost

AFTER TWO years of preaching to Saturday FT readers, I thought it was about time I put my money where my mouth was.

I decided to switch my mortgage from one lender, National Westminster bank, to another. I was not moving house nor was I searching for a larger mortgage.

I just considered that NatWest Home Loans was charging an excessively high rate of interest and penalised existing borrowers.

I took out my original mortgage with NatWest in July 1983, when there was a nationwide shortage of mortgage funds.

NatWest had been my bank for seven years (no complaints on that score) and so I had little choice about my lender.

In any case the rate of interest NatWest was charging on my £37,000 endowment mortgage in 1983 was not out of line with the rest of the market.

The building societies in those days imposed a higher interest rate for larger loans, whereas NatWest did not and the one percentage point differential it charged for an endowment mortgage was fairly standard.

However over the next two years, there were several major changes in the mortgage market, as a result of the break-up of the building society cartel and the entry of foreign banks.

The opening up of genuine competition appears to have ended the periodic mortgage famines of the post-war era. Equally important, it has forced lenders to compete more fiercely on their interest rates and abandon some of their non-commercial practices.

Nearly all the large building societies have abandoned differential rates for larger loans. They have also narrowed the differentials for endowment and pension mortgages to, typically, 0.5 percentage points.

As a result the building societies have generally been undercutting the large clearing banks. For the past five months their interest rates have been at least 0.25 percentage points lower.

And some of the foreign banks have been even cheaper. NatWest was obliged to follow the market in one respect: it cut its differential on endowment mortgages to only 0.5 percentage points. Unfortunately, the differential was reduced only for new borrowers, not existing ones.

According to NatWest Home Loans manager Mr John Pegg, the bank's standard mortgage contract entitled it to make this distinction between endowment mortgage customers.

A guarantee that existing borrowers will always pay the same rates as new borrowers has traditionally been viewed

as a vital element in protecting them against the power of a lender to vary interest rates at his discretion. As the standard legal textbook on building societies (Wurtzburg and Mills, *Building Society Law*) says: "it is still considered to be open simply to vary the interest rate at discretion would be legally valid, whether it was contained in the mortgage itself or incorporated therein by reference to the rules."

When Abbey National sought to remove differential rates for new, but not existing, borrowers with larger loans last year, there was a public outcry and it changed its plans. But NatWest refused to do so. The incident highlights the vulnerability of mortgagors, who cannot rely on the Consumer Credit Act, in a market no longer monopolised by benign mutual institutions, but need for greater legal protection.

In October 1985, I was paying on my NatWest loan (by then reduced to £30,000) a flat rate of interest of 14 per cent equivalent to a "true" Annual Percentage Rate (APR) of 15.1 per cent. This was nearly two percentage points above the lowest rate on the market.

So I decided to look for another lender who had been consistently cheap, charged no differential for endowment mortgages or larger loans, and whose commercial interests pointed to a growing involvement in the UK mortgage market.

The three lenders recommended on these pages over the past 18 months have been the merchant bank, Kleinwort Benson, Chemical Bank (of the US) and the London-based United Bank of Kuwait.

Kleinwort Benson has a lower limit of £40,000 for a mortgage and a few readers had complained to us about administrative difficulties in dealing with Chemical Bank. So I decided to go to the United Bank of Kuwait, currently the cheapest lender on the market.

UBK is charging a flat rate of interest of 12.5 per cent equivalent to an APR of 13.2 per cent. This is 1.9 percentage points below my NatWest rate.

But because my mortgage is only £30,000, the maximum on which tax relief is granted, and I am in a tax bracket around 50 per cent, half the benefit of UBK's lower charges have gone to the Inland Revenue.

Even so, a differential of 0.95 percentage points on a £30,000 mortgage is worth £285 a year or £23.75 a month. With a £50,000 mortgage, the saving (after tax relief) would be £665 a year. Even if NatWest cut its basic mortgage rate to that



of UBK, I would still have to pay the one percentage point endowment mortgage differential. In that situation, the saving with UBK would be £150 a year on a £30,000 loan after tax relief.

In contrast to NatWest, the UBK mortgage contract also guarantees that I, as an existing borrower, will never have to pay a higher rate than a new borrower.

The saving from switching mortgages has to be compared with the costs. As the Consumers' Association has constantly complained, these are inflated by a failure to streamline legal procedures.

I telephoned UBK for a mortgage application form which I filled in and returned by post without having to supply any documentation about my earnings. UBK then insisted on sending a valuer to survey my flat at a cost of £60, even though a professional valuation for NatWest had been carried out only two years previously and had come up with a figure of £46,000. This would have left UBK with a substantial margin for error over the size of the loan I was seeking.

In addition, UBK insisted that my solicitor check the title to my (leasehold) property in full, and make local authority searches. This once again duplicated all the work carried out two years previously. My solicitor's bill came to £163.50, about £50 more than I had expected. Further costs were Land Registry fees of £70, the landlord's notice charge £3.75 and UBK's initial commitment fee £75. Thus the total costs of switching came to £374.25.

It will take nearly 16 months to recoup these costs through lower interest payments (after tax relief), assuming that the interest rate differential between NatWest and UBK does not change.

At least I had to deal with no time-consuming administrative complications, although the legal procedures meant that it took nine weeks, from October to December to complete.

Clive Wolman

Topping year for financials

Unit Trusts

FINANCIAL SHARE funds were the unlikeliest unit trust stars of 1985. Not normally noted for spectacular performance, they ended the year ahead of every unit trust sector bar the fashionable European funds.

The financial specialists notched up average gains of 18.3 per cent over the last 12 months, according to the latest Money Management statistics. This was well ahead of the 13 per cent increase recorded by UK general and growth trusts and the 16 per cent rise from equity income funds.

One—the £7m County Bank Financial fund—scored an impressive 38 per cent profit. The results contrast dramatically with the dull showing by most financial funds during the early 1980s.

Behind their resurgence is a 20 per cent rise in the FTA Financial Index over 1985, alongside an improvement of only 13 per cent in the All-Share Index. But the various financial sectors have fared differently. Life and composite insurance companies, accounting for about 30 per cent of financial shares by capitalisation, have soared ahead—rising 35 per cent and 29 per cent respectively over the year.

Life companies were boosted by a surge in personal pension sales before the last budget and the promise of more such business held out in the recent social security White Paper. The other companies—in spite of some dismal underwriting results—were helped by the long-awaited pick-up in insurance premiums.

Clearing banks, about a quarter of the financial sector,

also beat the All-Share Index as their third world debt provisions declined, floating rate note issues shored up their balance sheets, and the boom in profitable personal lending persisted.

The merchant banks overcame a weak first half year, caused largely by uncertainties ahead of this year's restructuring in the City, to produce a 28 per cent gain overall. Others have fallen behind the rest of the market. Insurance brokers have been depressed by the scandals and losses emanating from Lloyd's and the impact of sterling's recovery on their overseas earnings. And property companies, around 20 per cent of the financial sector, have—with a few notable exceptions—remained lacklustre because of the slow progress in their asset values.

Discount houses, feeling the pinch from high interest rates, and investment trusts, whose overseas asset valuations have been hit by currency movements, have also under-

performed, while mining finance houses and overseas traders included by several financial trusts—back-peddled in 1985.

Smaller financial funds, with assets of less than about £10m and the flexibility to nip between sectors and into high flying small companies, came out on top last year.

County Bank Financial, for instance has almost 60 per cent in property companies, but is small enough—around £7m—to take large stakes in a few special interest stocks. It has avoided the large holding companies—commonly found in the more sizeable trusts—which have been undermined by the weak market for provincial office and industrial buildings.

"We do not mind going for unfashionable areas if the long term prospects are good," says manager David Edwards.

The £2m GRE Property Shares trust, third in the league over one year, has similarly struck lucky in its stock selection. With only about 25 holdings, its big stakes in Peel and

Rosehaugh—up to 20 per cent of the portfolio in July—have had a noticeable impact on the unit price.

Hill Samuel's £14m Financial Trust has also benefited from a concentrated portfolio (just 37 stocks), with the top five holdings taking up a quarter of the fund. "It is very much a financial special situations trust," says investment manager Sarah Jennings. "We do not try simply to match the index."

The larger, more established trusts, cannot be so selective. Their broad spread of investments has tended to push them down the performance tables recently. Graham Cull, who handles Barclays' £71m Financial Fund, says: "Many of the better financials have been smaller stocks and it is difficult for us to get worthwhile holdings in some of these."

Save and Prosper's two financial trusts, together totalling more than £175m, have tended to plump for the larger financial and property shares in the UK when, according to S&P investment director Chris Tracey, "it has been the narrowly held and unmarketable property companies, merchant banks and others that have been doing well."

While the tidier trusts keep looking around for exciting special situations—which the ensuing financial services "revolution" promises to throw up in abundance—the older ones continue to stress the defensive qualities of a well diversified financial portfolio in the event of a weakening in the rest of the stock market.

Martin Winn

FINANCIAL AND PROPERTY SHARE TRUSTS

	1 year	2 years	3 years	5 years
Arbutnot Financial and Property	+14.6	+37.9	+67.9	+106.8
Barclays Unicorn Financial	+10.4	+39.6	+88.7	+106.0
Britannia Financial Securities	+10.6	+22.9	+79.4	+125.4
Britannia Property	+24.0	+52.7	+106.5	+106.3
Brown Shipley Financial	+13.9	+39.6	+96.3	+112.6
County Bank Financial	+38.0	+85.2	+127.5	+197.7
GRE Property Shares	+26.4	+62.2		
Henderson Financial	+26.9	+44.0	+125.8	+147.6
Hill Samuel Financial	+20.6	+45.4	+102.9	+135.6
S and P Financial	+17.4	+42.0	+97.1	+175.7
S and P Scotiabank	+12.7	+36.9	+90.2	+132.3
Target Financial	+14.0	+40.4	+86.5	+148.3
Tyndall Financial and Property	+17.0	+36.3	+82.8	+92.7

Figures to January 1. Offer to bid, net income reinvested.

Source: Money Management.

Perpetual motion

IN TRUE Community spirit, Perpetual Unit Trust group, has recognised that Britain is part of Europe. In its European Growth Fund, just launched, the UK market will feature prominently in the initial portfolio with a 32 per cent stake, second only to the booming West German markets with 35 per cent.

The remainder will be spread among other continental European countries, including France 8 per cent, Switzerland 8 per cent, Italy and Netherlands 6 per cent each.

Marty Arbib chairman of Perpetual said the inclusion of the UK markets in the fund widened the scope for investment by about 80 per cent. The 2,400-plus quoted companies in the UK represented 40 per cent of the total UK/Continental European market capitalisation.

Perpetual reduced its UK market exposure during 1985 in favour of greater participation in the American and European markets in its International Growth Fund, but feels that the UK should be an integral part of the new European fund.

Only latecomers in introducing a special fund for the region Perpetual believe "the time is still right to invest in Europe." The sole aim of the fund is to go for maximum capital growth. During the initial offer period up to February 7, the units will be sold at a fixed price of 50p providing an estimated gross yield of 2 per cent.

Mr Arbib said the outlook for West Germany remained encouraging in spite of the steep share prices there last year. He is also confident that the UK market will be boosted by further economic growth

John Edwards

UPTO
20%
LAUNCH BONUS

Why wait for the channel tunnel?

Invest now with Perpetual.

Unprecedented Growth

Growth in the size of continental European stock markets has been dramatic over recent years and yet the largest, West Germany, for example, has a stock market that is around half the size of that of the United Kingdom while its economy is nearly twice as large.

However, increasing international and domestic interest, continuing recovery from the recessionary environment of the early 80s, and the re-rating of shares in some of Europe's successful multi-national companies, combine to suggest an exciting future for European stock markets.

U.K. & Continental Europe

The European Growth Fund will invest in the 2,400 plus public companies quoted on the U.K. stock market as well as those of continental Europe, providing the Managers with an 80% wider investment range over purely continental European companies.

The objective of the Fund is maximum capital growth and initially the Managers anticipate investing the portfolio as follows:-

West Germany 35%

Economic optimism abounds, inflation is a low 1.8% and tax cuts expected this year should boost consumer expenditure.

United Kingdom 32%

Low inflation, together with double digit gains projected for corporate profits and dividends, combine to create many excellent investment opportunities.

France 8%

Against a background of encouraging economic indicators, shares continue to provide prospects for growth.

Switzerland 8%

Business confidence is running high with inflation declining and capacity utilisation averaging 86%.

Italy 6%

The Italian stock market, although modest in size, is growing following strong demand from Italian mutual funds set up in 1983.

Netherlands 6%

Low inflation and increases in domestic consumption and exports should boost share prices.

Other European Markets 5%

Stock markets may include those of Spain, Belgium, Sweden, Norway, Denmark and Austria.

Europe is experiencing a new economic era of steady low inflationary growth which we believe will provide investors with consistent and rewarding investment results.

Perpetual in Europe

Perpetual has been investing successfully in European shares for some years through international unit trusts. The International Growth Fund,

Perpetual European Growth Fund

Unit Trust Managers of the year*

In the eleven years since launching the Group's first unit trust in the United Kingdom, Perpetual has earned an enviable reputation for consistent investment success.

Perpetual's the top performer

...Perpetual take The Observer's 1985 Unit Trust Managers of the Year award. A richly deserved award. Its investment team—chairman Martyn Arbib, Bob Yerbury, Scott McGlashan and Martin Rasch—have been producing performance plums well for many years...

* OBSERVER 15th Dec '85

Unit Trust Managers of the year

...Over the year, every single Perpetual Fund has moved into the black... Over the last 12 months, the Perpetual Funds have produced an average weighted performance of 27.7 per cent...

* MONEY MAGAZINE Dec '85

Special launch bonus offer Act Now!

Units in the Perpetual European Growth Fund are offered for sale at a fixed price of 50p per unit until 7th February 1986. However, for investments made up to and including 7th February 1986 there is a special bonus available on the following basis:-

For investments of £5,000 to £9,999—1% bonus.
For investments of £10,000 or more—2% bonus.
The anticipated commencing gross yield is 2% per annum.

APPLICATION FORM

To: Perpetual Unit Trust Management Limited, 48 Hart Street, Henley-on-Thames, Oxon RG9 2AZ.
Telephone: Henley-on-Thames (0491) 576868.
Registered in England No. 1154021 at the above address.

I/We enclose a cheque, made payable to Perpetual Unit Trust Management Ltd., for the amount shown below for immediate investment in the Perpetual European Growth Fund at a fixed offer price of 50p per unit. I am/We are over 18.

I/We wish to invest £ (minimum £1,000)

Note: The launch offer closes on 7th February 1986. The application together with your cheque, must reach us by this date. After that date, units will be allocated at the offer price prevailing on the day of receipt of your application.

SURNAME: Mr/Ms/Mrs

FIRST NAMES:

ADDRESS:

POSTCODE:

SIGNATURE/S:

FT 13/1/86

Perpetual
Member of the Unit Trust Association

Coastal Resort



(Company No 1959983)

Offer for Subscription under the Business Expansion Scheme

of up to 1,230,000 Ordinary Shares of £1 each at 125p per share payable in full on application.

The Company has been established to operate a small group of 3-star hotels on the South Coast of England servicing both the commercial and leisure markets. The Company is acquiring the freehold of Cooden Beach Hotel in Sussex and has the right to acquire freehold land in Ramsgate where full planning permission for the construction of the 60 bedroom Marina Resort Hotel has been obtained.

The hotels will be managed by Resort Hotels Limited which owns and operates the well-established 120 bedroom Norfolk Resort Hotel and Preston Resort Hotel in Brighton. The management will subscribe for 25% of the share capital of the company at exactly the same price as other subscribers.

The merits of the investment

- Good asset backing
- Experienced management
- No charges or options to sponsors
- Genuine business in important service industry
- BES tax certificate available in May 1986 in respect of year ending 5th April 1986.

Telephone 0273 729552 (24 hours) to secure a copy of the prospectus urgently as the subscription list will close when the offer is fully subscribed and in any event not later than 31st January 1986. Alternatively please return the form below:

This advertisement does not constitute an offer or invitation to subscribe for or purchase securities. Applications for shares will only be accepted on the terms of the prospectus (in which full details of the Company and the Offer (or Subscription are contained) and on completion of the application form attached thereto.

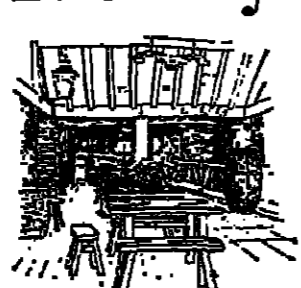
To: Coastal Resort Hotels PLC, 149 Kings Road, Brighton BN1 2ZF
Please send me a copy of the Coastal Resort Hotels PLC prospectus BY RETURN

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Address _____

FT180188

Minimum
subscription achieved
Issue extended
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Hoskins Brewery PLC



Offer for subscription under the Business Expansion Scheme

Sponsored by Oceana Asset Management Ltd.

Tax relief available for 1985/6

Should you have any questions or REQUIRE FURTHER COPIES OF THE PROSPECTUS FOR HOSKINS BREWERY PLC please contact John Corrigan on 01-588 7262 or Richard Ellert on 098 683 321

Home watch scheme

Protect property and prune premiums

THE DOUBLING of the rate of theft and burglaries over the last few years has seemingly been only matched by the rise in home insurance premiums. As the number of break-ins and robberies soar so does insurance particularly in the inner-city.

But for two years, something has been rising at an even faster rate: the number of neighbourhood watch schemes being started. Neighbourhood watch is an American idea, imported with varying degrees of enthusiasm by British police chiefs.

It involves the community in keeping one eye on neighbours' property and the other out for suspicious strangers. There are now more than 7,200 schemes in the UK. Participants are encouraged to put up stickers to warn potential burglars they are in a neighbourhood watch area, to mark their possessions and become security conscious. The scheme appears to be working with the Home Office saying that reductions in crime of 50 per cent in some watch areas are common.

So far, there has been little recognition of this fact by the insurance industry in spite of appeals by Sir Kenneth Newman, the Metropolitan police commissioner, and other senior police officers.

Earlier this year Newman lectured insurance brokers on what is "good insurance practice." The system applied to drivers, for instance, is good practice—fixing rates according to age, occupation and record of the driver, car driven and other variables.

"But the householder," he said, "can install alarms, join a neighbourhood watch scheme, mark all his property, and be

LAST WEEK the Prime Minister, in between her other problems, organised a seminar on crime prevention. The seminar included a personal appeal, backed by Mr Douglas Hurd, Secretary of State at the Home Office, that insurers should do more to encourage crime prevention by reducing premiums where house-holders had taken the necessary security precautions.

The plea, which could almost be described as a demand, was followed up by the Metropolitan Police Commissioner, Sir Kenneth Newman. He told insurance companies' representatives at the Insurance Institute of London that unless insurers took account of measures taken by householders in assessing risks and premiums they would lose business.

Sir Kenneth referred to the success of neighbourhood watch schemes in London involving over half a million homes, and complained that the insurance companies took no account of these schemes, or any other feature, in their premium rating.

Brian Corby, chairman of the Association of British Insurers, and chief executive of the Prudential, put the

careful about locking doors and windows. Yet he will be asked to pay exactly the same premium as his neighbour who does none of these things. I would suggest this is poor insurance practice."

Poor practice or not, the big insurance companies are not budging. The British Insurance Brokers' Association is sympathetic, but so far "is watch-

insurers' point of view to the Prime Minister's seminar. He pointed out that even with the recent increases, house contents premiums are relatively small—still under £200 a year for the average household. Insurance companies can only operate commercially at this level of premium by underwriting large volume—such as all the houses within a particular post code.

Ultimately, if neighbourhood watch schemes become widespread and successful then this will be reflected in the claims experience of a particular post code area and premiums should be marked down accordingly.

But insurance companies, already suffering heavy losses on their house contents portfolios, are not going to anticipate the long-term success of these schemes. So the leading companies will first wait for results to show a steady improvement.

Some of the smaller companies, however, have taken action to reward security-conscious householders. Economic Insurance, with insurance brokers Hill House Hamond, have just launched a new scheme, Homecare

Plus, which offers discounts to many householders who take security precautions.

The householder is required to answer a detailed questionnaire. If satisfactory, a 15 per cent discount in a rural area and 10 per cent in most other areas is offered. But there is no discount for householders in London and other major inner city areas.

There are, however, certain conditions. The householder must agree to keep his house locked whenever it is left empty, even for short periods. The housewife, who visits a neighbour for just a minute and stays two hours leaving the back door unlocked, gets no payment if the house is burgled. Similarly if the security conditions were not up to requirements then the insurance would be void.

Cornhill Insurance offer a 55 discount off householder policies if domestic security measures are approved by the local Crime Prevention Officer. Here the CPO is seen as acting as an unpaid inspector for the company. At present the scheme operates in only three police districts.

Eric Short

neighbourhood watch scheme, he began keeping statistics about the incidence of claims from customers where watch schemes had started.

"The results were quite staggering," he says. So much so that he had little trouble in persuading Lloyd's specialist syndicates to underwrite the risks when he launched the neighbourhood watch policy last

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Business Expansion Scheme



"Young girl reading" by the Danish artist Peter Husted, included in the Scandinavian show at Connaught-Brown.

Fine art worries

THE BUSINESS Expansion Scheme is under fire. The original idea was that high income earners, in return for tax relief, would be encouraged to invest in new companies, thus funding another generation of entrepreneurs and boosting employment.

In the event bright City types quickly devised assembly-line companies which could hardly fail. In turn farming and property development have been put outside the scope of the BES, and now the spotlight is on wine and antiques companies.

This is unfortunate for the four companies of picture dealers who have been financed, or are in the throes of being financed, through the BES. Even if the Chancellor of the Exchequer feels that antique dealers are using the cash raised to invest in assets rather than in trading, and so should not qualify under the scheme, he is unlikely to make any change retrospective: the companies will survive, but their reputation, in a business which is sensitive to appearances, would be damaged.

No-one can pretend that antiques companies are big employers of labour, but they are big employers of transporters. It is also difficult for young dealers to make the jump from trading at home to opening up a gallery. Most galleries are in smart areas of London, or wealthy provincial towns, and the cost of establishing a

gallery is high. The BES, however, has been set up to help young dealers. It is a pity that the scheme is not more flexible. It is a pity that the scheme is not more flexible. It is a pity that the scheme is not more flexible.

Walker Bagshawe is a BES company dealing in rather similar pictures, but with an emphasis on the Edwardians. Being based in Walton Street, Chelsea, it is aiming at a less

affluent clientele with pictures up to £15,000. The company was looking for £400,000 and has taken in over £100,000, with its offer open until the end of this month. Unlike Connaught-Brown, the management had already acquired premises, but it is also using the BES to buy higher-quality stock.

Neither company would be considered a major name in the antiques business, and there is some concern that both are buying in a sector of the art market which could be near its price peak.

The two other companies are longer-established and in more interesting sectors. Roger Hadlee has been operating a gallery in the Royal Exchange for 11 years, concentrating on marine views. He has built up a City clientele. Even so he fell short of the £1.5m maximum he hoped to raise, although the offer is still open.

The revenue is being used to buy more expensive oil paintings and Hadlee has recently paid £20,000 for a picture—but he is continuing to run another company specialising in cheaper watercolours and prints. There is worry in the antiques business about possible conflicts in administering two separately funded companies in similar fields, but at least marine paintings are a stable, popular market.

The fourth company involved with the BES is the Wells Gallery, long established in Essex but now attempting to raise £1m to move to London, once again to Albemarle Street. It has yet to open its gallery there, but has been buying stock in an unusual sector, paintings of the 18th and 17th centuries. Despite problems over the condition and attribution of such works it is an under-priced market, with good prospects.

One of its consultants, Sir Roy Strong of the V and A, has suggested because of a clash of interest he found himself advising Wells over a picture at auction wanted by the National Portrait Gallery.

The art world has mixed feelings about the BES companies. It likes the infusion of new money, and appreciates the problems of young entrepreneurs in raising cash in an expensive business. But it worries about the state of the antiques industry in five years time, when the first pay-out will fall due. It could well be at the bottom of its cycle.

There is also a feeling that if investors want to buy into the art market, they should purchase works directly, rather than invest in companies, which must devote some of their revenue to meeting very high overheads.

Antony Thorncroft

Fair shares for women

"LEADING LADIES" is the name of a Business Expansion Scheme launched this week. It hopes to raise £5m, to invest in businesses run by women or encouraging women in business and commerce.

Women entrepreneurs who apply for investment help from the fund will be assessed by a committee of five women. Jennifer Laing, deputy chairman of advertising agents Saatchi & Saatchi-Compton; Anne Balfour-Fraser, chairman of Balfour Films; June Goodfield, science historian and author; Louise Medawar, managing director of mail order company Nightingale; and Liz Phillips, retailer and journalist. The committee will be advised by chartered accountants Post Marwick Mitchell in the appraisal of prospective target companies.

The fund will invest in a minimum of five companies, with the maximum amount which can be put into one company limited to 25 per cent of the fund.

The minimum subscription for investors is set at £2,500. The fund will close for subscriptions when £5m has been raised or on March 1, whichever is the earliest. No investment will be made by the fund unless at least £250,000 has been subscribed.

The fund intends to be fully invested before April 4 so that investors can claim tax relief for the 1984-85 fiscal year. Businesswomen wishing to apply for investment from the fund will have to make their application by February 1.

Shonaig Macpherson, who works for a London firm of solicitors and helped think up

the idea, says the initial response has been very encouraging. She denies that it is a sexist concept, since the fund will be quite willing to back men as well providing they are helping to broaden opportunities for women. "The aim is to encourage women to go into areas where they are not recognised yet, like high technology companies," she says.

To prove the point a man—John Mather, managing director of Alliance Asset Management—is one of the two directors of the fund. The other is Jane Goodall.

Mr Mather, who has played a leading role in promoting the fund, said the monitoring role of the fund in guiding the growth and development of the companies invested in was crucial.

JE

Hotel chain plans

NEARLY £7M is being sought from investors for a Business Expansion Scheme aimed at expanding the market for two-star hotels in Britain.

Finotel plc was formed in 1983 to develop in the UK the Hotel chain, owned by a French company, Sphère, that has grown rapidly in the past 10 years. It now has over 150 hotels worldwide; it has evidently tapped a receptive market, providing competitively priced hotel accommodation of a standard design where running costs are kept to a minimum.

Finotel originally raised equity capital of £5.3m. It opened its first 110 hotel near Heathrow airport in June 1985.

The offer will remain open until April 13, so that investors have the chance of claiming the tax relief either in the 1985-86 fiscal year or 1986-87.

Investors in the original setting up of Finotel included five Business Expansion Scheme funds managed by Electra, County Bank, Minister Trust, Britannia and Abbey. Now Electra is sponsoring the raising of the further funds required to finance the development programme through a BES scheme offering investors 5m shares of £1 each at £1.40 per share.

The offer will remain open until April 13, so that investors have the chance of claiming the tax relief either in the 1985-86 fiscal year or 1986-87.

Alpha v plans to be fully invested in a minimum of five companies by April 6 to ensure that tax relief will be available during the fiscal year.

Alpha v plans to be fully invested in a minimum of five companies by April 6 to ensure that tax relief will be available during the fiscal year.

Permanent Health Insurance

Income in sickness

MARK WEINBERG and his executive team revolutionised the role of life insurance in the UK savings market with the development of the unit-linked concept.

Now though his company Allied Dunbar has turned his attention to a completely different aspect of UK life insurance—long-term sickness protection, known as Permanent Health Insurance (PHI).

Permanent Health Insurance has become part of the standard jargon of UK life insurance. Yet its name can be misleading for the layman. PHI is not about health, but about protection for long-term sickness or disability.

So Allied Dunbar calls its new scheme Income Protection Plan, which is what PHI is all about. It replaces income which a person often loses when struck down by illness or disability.

Potential policyholders are offered three types of benefit: ● A level benefit. This is the standard type of PHI contract under which the level of income benefit paid under a claim remains level in money terms throughout the duration of the contract.

● Indexation of benefit during the claim period only. Here the level of income cover is constant until a claim arises. Then the amount paid rises in

line with National Average Earnings, but the amount of cover returns to the original level at the end of a claim.

● Total indexation where the amount of cover rises each year in line with NAE, both before and during a claim.

Naturally the higher the level of cover the greater the premium. Under total indexation the premium rises with NAE, while under a level benefit it remains constant, except for policy fee increases. (Incidentally, it is difficult to understand the rationale of the second benefit.)

The longer the waiting period, the lower the premium. However, employees should relate the waiting period to the period of illness during which their employer pays some or all of their salary. Often this is six months or a year. The self-employed, without this luxury, usually require a shorter waiting period.

PHI premiums also vary with occupation, since employees in some occupations are more vulnerable to illness or disability.

This new plan has four categories of occupation—the most "dangerous" including bodyguard, demolition worker and lumberjack—occupations which Allied Dunbar will not cover. High risk occupations,

which will be covered at a price, include heavy goods vehicle drivers.

Finally PHI premiums vary with the sex of the policyholder: women pay a higher premium than men. The right of life companies to continue charging women more was upheld by a court decision last year—the Penfeller Pinder case.

While following industry practice in charging higher premiums for women, Allied Dunbar has gone to considerable lengths to ascertain the basis for differentiation and explains why it has done so.

There are two main points. First, data from both the UK and US shows that women are more prone to long term sickness than men, although the difference reduces with higher ages.

Secondly women are far more durable when they fall ill than men. Thus not only can life companies expect more claims from women than men, they are also likely to pay benefit for longer periods.

Allied Dunbar will be marketing the plan through its direct sales associates, who have received intensive training and been tested on the new product, and through independent intermediaries.

Eric Short

UP TO 60% INCOME TAX RELIEF

Offer for Subscription for Shares in

GLADDING SECURED CONTRACTORS PLC

(Company Number 1925536)

under the BUSINESS EXPANSION SCHEME

Invest in a Company with the following merits:

- £1.7m raised so far, demonstrating confidence in the Company.
- Minimum Subscription handsomely exceeded so all applications will be accepted (subject to the offer not being over-subscribed).
- Trading began in September 1985 and so BES tax relief certificates should be sent to shareholders before 5th April 1986 or shortly afterwards.
- A building company specialising in providing deferred payment terms to property developers and other clients, thereby enabling higher gross profits to be made. Security obtained for money due usually by a mortgage over land and buildings being constructed thereon.
- Management with many years of experience in construction and property development. Their main reward comes from maximising profits to the benefit of shareholders.

For your copy of the prospectus, please send the coupon below to Chancery Securities PLC, at 12 Northampton Street, London WC1N 2NW or telephone 01-242 2563.

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FS INVESTMENT MANAGERS

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Jane Allan, chartered accountant, concludes her series on unravelling company books.

HOWEVER MUCH information is gleaned from reading annual reports and accounts, further knowledge can be acquired by applying a few ratios. Ratios can provide a guide to the profitability of the company, and indicate whether it is likely to have to change its future policy.

Information in annual reports is historic. It is bound to be. With the best will in the world a company cannot easily publish its annual accounts sooner than six weeks after the year end and the norm is closer to three months. Thus at least one half of the information in the accounts is over nine months old. Current information can be deduced by applying ratios to the accounts and making assumptions based on those ratios.

Is the company gearing itself up for future growth? Future growth means more money ploughed back into the company to fund that growth. First look at the source and application of funds statement; is money being invested in the working capital of the company? If so is it enough? How many times is the company turning over its stock? How long does it take to collect payment for that stock?

Deduct the turnover, or sales figure, from the profit and loss account and divide it by the year-end figure shown in the balance sheet. If the answer is six then the company is taking on average two months to turn over its stock. This means that the working capital must be large enough to fund stocks at

Understanding Reports and Accounts



The final count

that level if it is to continue to trade to the same extent, and at a higher level if the company is to make more sales from stock.

To relate the turnover figure to the closing "trade debtors" figure on the balance sheet, divide the turnover by the debtors and multiply the product by 365. That will show the average number of days it takes to collect payment from credit customers. Most companies sell on 30 days strictly net, but they supply on an average of 50 plus days. To finance this business the company needs to fund stocks not just for the two months it takes to sell them, but also for the extra 50 days it takes to collect the money from the sale.

If a company is generating enough funds to expand the stock in these terms it cannot increase its sales without outside funding and higher gearing, or without taking the money from another source. How quickly is the company paying its creditors? Divide the turnover by the "outstanding creditors" figure at the year end, and multiply the product by 365. If the com-

pany pays quicker than average, here is a potential source of funding for growth; simply slow down the payment of creditors.

Having enough working capital is essential before a company can begin to generate enough profit. But what is enough profit? What is the real return on the capital employed in the business? What is the total amount of capital used to run the business? Capital after all is not just the share capital, nor even just the shareholders' funds. Most businesses have at least one type of loan capital.

Add together the share capital and the reserves; that makes the shareholders' funds. Then add on any borrowed capital, overdrafts or bank loans, hire purchase funding or other loans; that is the total capital employed in the business.

What return is the business offering now? Take the trading profit of the company before tax and divide that by the total capital employed, multiplying the product by 100. Is that return comparable with other investments such as the money market and building societies?

Is it comparable with other companies trading in the same field?

Look at the capital employed in relation to the turnover of the company. Is the company using its capital to generate enough sales? Consider the stock turnover ratio, is the company capable of meeting further sales were the demand to be created?

What contribution did the extraordinary items make to the trading of the company? If selling off a subsidiary meant greater cash flow, will that cash flow be able to create further sales and hence profit in the future or will it be needed to pay off loans?

The final thing to consider when looking to the future in a set of accounts is: are there any nasty surprises tucked around the corner? Companies must explain in the notes to the accounts about any contingent liabilities that may arise in the future and if possible quantify them.

A contingent liability is defined in accounting terms as an event or expense that will fall due as the direct result of the effect of another event. Law suits, which may lead to damages being awarded, are good examples of contingent liabilities: so are guarantees given to third parties in respect of the trading of members of a group. These are usually given to the bankers of the subsidiary companies to guarantee that if the subsidiary goes into liquidation, the holding company will refund the bank to the level of any indebtedness.

You cannot totally predict the future of the company, but you can get a good picture of the likely events and the possible outcomes.

Forbidden footsteps

I have just had a concrete path constructed from my front door to the pavement in front. During the drying of one section someone, presumably a schoolboy prankster, walked in the wet cement and left large footprints. These were filled in by the contractor but with a concrete mixture of significantly different colour. The result is very unsightly. Do I, in your opinion, have any claim against the contractor for restoring the repair? Unless you could establish that the contractor was negligent in allowing the footprints to be made we think that you would have no valid claim.

The limits of 'top-slicing'

I am familiar with the system of "top slicing" used to determine the tax on interest accumulated over a long period on various types of bonds.

Can you tell me if this system can be used for age allowance calculations?

A relative whose income falls within the age allowance limits has recently had an insurance company bond matured after 10 years growth. If the total profit is added to her income this year her income will be over the limit. If top slicing were available her income would be within the limits.

No. The 20 per cent age surcharge on insurance bond gains has been mentioned in our

columns from time to time over the years — the most recent occasion being November 2 (at the end of the Briefcase column) — but it still comes as a nasty shock to many regular readers like you.

Following publication of one of our warnings about this surcharge, the point was raised by an MP. He was told by the then Financial Secretary that top slicing was denied to the elderly to prevent them from avoiding tax by buying insurance bonds in the years before their 65th birthday, in anticipation of a drop in their income by the year of maturity of each bond.

Tax relief on retirement

Can you assist with a query that has arisen over retirement relief at the age of 55, with a medical certificate?

The business has been valued at £100,000 but suitable purchasers (working bakers) have not been found. It has been suggested that the freehold be sold for £50,000 (buyer available). The purchaser will grant a lease of 24 years at £7,500 and this, it is understood, could be sold for £50,000.

I am concerned that if the proposed purchase of the freehold takes place first and a lease is granted, that is then to be sold, retirement relief will not be available on the freehold sum. The reason being that no

retirement will have taken place at the date of the freehold sale.

If the lease transaction took place first, I believe there would be no problem as retirement would have taken place and the freehold could be sold within the next year with full relief. Am I right?

Your concern is justified, but it looks as though you have misunderstood the suggestion. Can not the transactions take place on the same day? Professional guidance is essential, but presumably you have the benefit of a solicitor's advice, even if you have no accountant. If you doubt your solicitor's (or accountant's) competence in tax matters, maybe your bank manager or another local business proprietor can recommend a better firm.

The free Inland Revenue booklet IR27 (Taxation of income from real property) may be useful as an aide-memoire of the income tax pitfalls surrounding the grant of a lease for a premium, etc.

No formal rent agreement

In 1973 my late mother gave my wife and me the sum of £34,500 which we applied to buying her house and adjoining cottage. The cottage has been let throughout the subsequent period furnished and tax paid by us while my mother lived in the main house rent free until her recent death. There

was no formal agreement to this arrangement, although throughout the past twenty years we have actively supported her by continuous phone calls, visits, maintenance of the property and supervision of her investments. The investments are now inherited exempt from CTT by my brothers, being of the order of £35,000.

1—If we sell the main house should we be exempt from CGT on the basis of my mother's residence therein rent free as a dependent relative irrespective of the fact of our initially receiving a gift of money with which to buy it?

2—If so is there a time limit during which a sale would have to be made?

3—Is there any virtue in our selling our present property and occupying this property ourselves?

1—No. Ask your tax inspector for the free pamphlet CGT4 (Owner-occupied houses) and the free booklet IRI (Extra-statutory concessions); look at concession D20.

2—The second anniversary of your mother's death, as you will see from the CGT4.

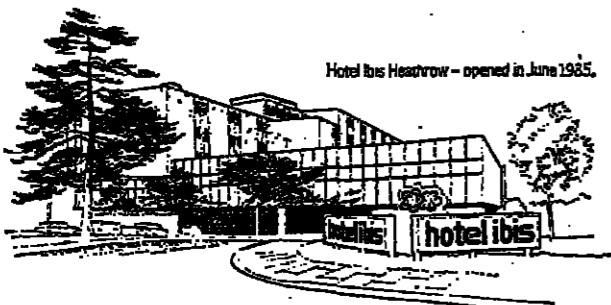
3—Yes, as you will see from the CGT4 (and concessions D3 to D6 and D21).

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.



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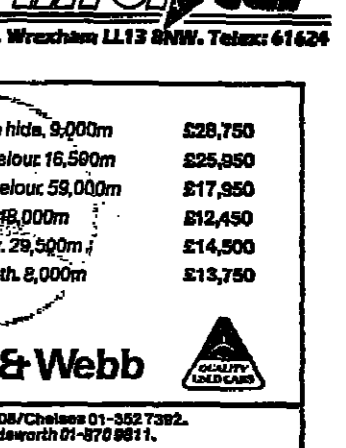
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DIVERSIONS

A cost-effective count of the spoons

IN 1974 the late Sir Val Duncan set a young Israeli the task of finding some "bottles of olive oil" he had buried in the garden of his Majorca home, assuring him that it would be his first step towards untold wealth. He was right. Today Uri Geller is a millionaire several times over. This is how it happened.

Geller was beginning to become famous for his psychic powers and was starting to find himself earning \$3,000 to \$5,000 a time for his lectures, performances of telepathy, spoon-bending and so forth. Duncan, then head of Rio Tinto-Zinc, was himself an amateur dowser but had never been able to persuade his board that the use of dowsing—or divining—could save millions of the exploration budget.

The two met at a party and Duncan suggested that psychic powers could be used to earn millions. "I thought it was fantasy," Geller recalls. "I knew nothing about dowsing except, you know, crazy people looking for water with sticks." He did, however, take up Duncan's offer to teach him to dows, accompanying him to his homes in Britain and Majorca, prowling around the gardens to find the gold rings, brooches and other small metal objects, as well as the olive oil, hidden by the mentor.

Gradually, Geller progressed from the garden treasure hunts to work with maps. He learned, by passing his hands over maps, to identify areas which gave off a sort of pressure. Working to progressively larger scale maps, these areas could be pinpointed with increasing accuracy. Duncan told Geller: "You're on

your own—go out and make some money."

The first few experiences were not happy ones. "I was stupid, naive, too embarrassed to ask for money," he says. On one occasion, he studied a map provided by Anglo Transvaal (now Anglovaal), the South African mining group, and directed them towards an area on the South African border with Zimbabwe. "I never followed it up," he says, "but years later George Swanson, one of their geologists, told me they'd found their biggest-ever coal deposit there. I hope you're getting royalties," he said, but I got nothing.

He learnt to be more business-like. These days he charges a standard fee of £1m—more in areas he considers physically dangerous, less if he feels so inclined—as an advance against royalties.

The companies employing him do not always get their money back in mineral finds. He always finds something, he says, but not necessarily something commercially viable, nor of use to the company.

Of the 11 projects he has undertaken in the past 10 years, he says, four have been big successes, where the royalties went well beyond the original £1m advance; three or four have been "total failures", though not sufficient for the royalties to cover the advance.

On the other hand, Geller insists, he saves companies money by telling them where not to bother drilling, so in that way he is cost effective.

That is Geller's story, to be told in more detail when his book is published in October.



Uri Geller

But is it true? Many people claim that Geller is no more than a conjurer, whose "tricks" have been exposed, though no details of the exposures appear to have been recorded. But independent corroboration of his account is hard to come by.

This, says Geller, is because his powers are anathema to conventional science. Those who employ him may find it easier to "lose" his fee in the exploration budget than to explain it to board members and shareholders.

One man prepared to confirm Geller's tale is Peter Sterling, chairman of Zanex, an Australian minerals and exploration company which last year flew Geller to the Solomon Islands to help pinpoint gold deposits.

Sterling also confirmed the level of payments being made. "Our company had been successful with alluvial gold in the Solomon Islands but we were also interested in ore bodies. We

sent Uri some topographical maps and he rang us back and said 'You should be looking for diamonds on Malaita.' No one had thought of looking for diamonds on that island—we weren't sure the Solomon Islands were geologically old enough for diamonds—and we were sceptical but he insisted."

Geller insisted even more when he was flown over the islands, and so samples were taken. They have, says Sterling, been "very encouraging" so far. "We have found diamond-type kimberlite rock, which is rare, plus all the minerals usually associated with diamonds."

Sterling is well pleased with his investment in Geller, but he confirms that it hasn't been easy explaining it to his board and shareholders. "Most mining people are pretty down to earth and materialistic," he says, "and the sort of work Uri does doesn't fit current scientific knowledge. I'm an engineer—I have no idea how it works, though I think that in 20 to 30 years time science will know, and will be building machines to do the same thing. But now—well, the reaction is a bit like witch hunters in the dark ages, or flat earthers. There are a lot of flat earthers around."

Geller himself says his powers are complementary to other, more scientifically acceptable methods, not a substitute for them. He likes to work with geologists; the more feedback they provide, he says, the more chance he has of interpreting the forces he picks up. He compares his contribution to that of Aboriginals or Bushmen whose deep knowledge of the land includes a fair idea of what minerals are around.

As for other proof? There is no doubt that Geller is extremely rich. Living at the moment in two very grand apartments overlooking one of London's loveliest parks. One is for his family, the other is his office. There are other homes in other countries. Personally he is something of an ascetic—non-drinking, non-smoking, vegan, a nine-mile-a-day runner, with the intense, piercing gaze that such a regime tends to produce.

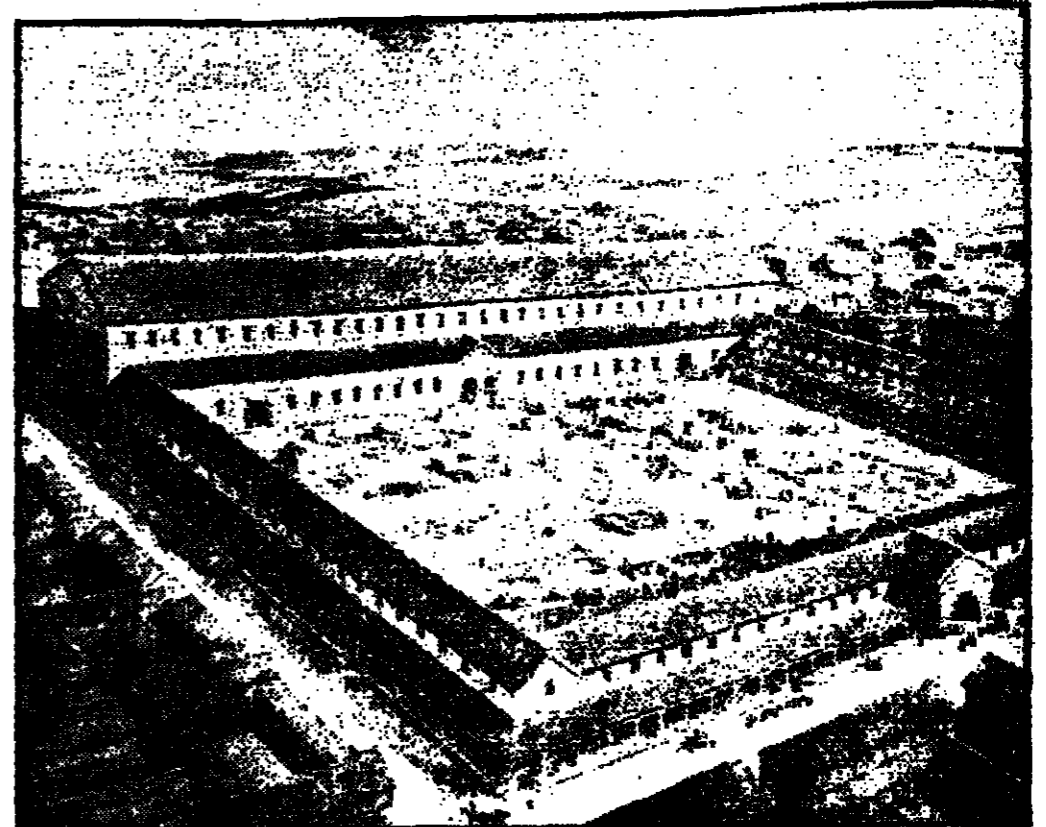
He has been hurt and discouraged in the past by attempts to discredit him, but these days, so long as the mining magnates continue to find him cost-effective, does not much care what the sceptics say.

For his next project, he plans to find Lasseter's Reef—a legendary golden mountain that is to Australia what the lost city of Atlantis is to the rest of the world. That is planned for next year and already he is pouring over maps of the area around Alice Springs and photographs of Lewis Harold Bell Lasseter, the prospector who stumbled out of the desert 60 years ago raving about his find and died trying to find the way back to it.

His dying message, scrawled on a scrap of paper, read "What good a reef worth millions? I'd give it all for a loaf of bread, and to think that only a week away is lots of tucker... the blacks are not troubling me now... they know I'm dying and will wait... Others have tried and failed, some have died, but Geller has no doubts. "I find it," he says.

Margaret van Hattem

Archaeology



London's Roman forum and basilica in the second century

If stones could speak

WHAT SHOULD be the most important Roman excavation for decades has just begun at London's Leadenhall Court. The Department of Urban Archaeology (DUA) of the Museum of London is now investigating the Basilica Forum, the commercial and administrative centre of Londinium. It is the first, and quite likely the last, chance to have a close look at the heart of Roman Britain. Anything not found by the time the archaeologists give way to contractors in 1987 will be lost.

In the meantime there is a public viewing platform, with full explanations, so that all may follow what is going on. The excavation of the largest known Roman building north of the Alps has substantial funding from the Historic Buildings and Monuments Commission for England (English Heritage) and from the Legal & General Assurance Society Ltd which is developing the site.

The story of Londinium is full of surprises. After a boom in the century after its foundation in about 50, it declined quickly. Much of the city was given over to cultivation even as the city wall was being built between about 190 and 220.

The city wall may reflect London's position as the centre of government, but it is bizarre how little was happening inside, except along the bank of the Thames. This unexpected discovery was the result of work since World War II. The evidence is a layer of dark earth found over much of the Roman city, suggesting market gardening or farming. How it came about, and what went wrong, is a fascinating problem, which the new excavation should contribute to solving.

It was the polymath Sir Christopher Wren who established that London was a Roman creation. Then Charles Roach-Smith, a 19th century businessman, collected evidence revealed by redevelopment and by construction of the new sewerage system.

General Pitt Rivers (né Lanc Fox) and (Sir) Mortimer Wheeler pioneered modern, rigorous excavation in the City. Later opportunities came after World War II. The best remem-

bered find is the Temple of Mithras (Walbrook), but there were also the fort at Cripplegate and the Governor's palace at Cannon Street station.

In 1973 the DUA was born, as archaeologists, local authorities and developers came to realise how much history was being lost—for ever—in redevelopment. Resources were to be concentrated on rescuing what was in danger; there would always be time for others to start research excavations.

DUA's rescue record is the envy of urban archaeologists on the Continent. Since 1973 over 125 sites have been examined. Developers have usually co-operated imaginatively with finance, staff, equipment and the now regular provision of study and publication costs.

The result has been a vast amount of irreplaceable knowledge about the beginnings of London, and Roman Britain. The DUA archaeologists have always kept to their agreements with contractors and have left sites at the fixed time, however much they wanted another last probe at a tricky problem. Rescue archaeology does concentrate the mind.

DUA's most important find has been the recovery of Roman London along the Thames, with its river wall, and houses and shops, often of timber, in the City and Southwark. Now the Leadenhall Court dig offers the chance to examine the commercial, fiscal and legal centre of the province of Britannia.

The size of the building, probably built about 100, shows how quickly London had grown from its founding a few years after the Romans invaded in 43. The new Roman capital had two hilltops (St Paul's and Leadenhall) and the Walbrook road system, the City's first, hardly changed till the advent of motorways. The position was ideal as a port for Continental trade, and was the first point at which the Thames could be bridged.

What ever went wrong, it was a long, slow trouble that carried on into Saxon times, and there is little evidence in the City. Mid-Saxon London was on the Strand, as the excavation last year at Jubilee Hall, Covent Garden confirmed. Only with Alfred in 886 did the City recover. By then a road (Gracechurch Street) crossed the Forum of the Londinium's heyday.

The new excavation should tell much more of the dark period, with its dark earth, that came so quickly after the heyday and lasted so long. There should be much more precise information of how the city was founded and boomed in its first 50 hectic years, and which not even Boadicea could disrupt.

The Leadenhall Court excavation still needs money. Despite grants from English Heritage and Legal & General, there is an appeal by the City of London Archaeological Trust for £140,000 (details at the Museum of London). It is worth supporting.

Gerald Cadogan

Country Notes

The tithes no longer bind

DURING the inter-war period most land carried a tithe rent charge, the remains of the ancient right of the Church to one 10th of a farm's annual produce. The transition from physical delivery of the produce to a money payment came under legislation in the early 19th century: the picturesque tithe barns to which the crops were delivered, fell into private use. The final statutory writ-off came in 1978.

By the 1930s the collector was not the Church (in the person of the local parson, who incurred the odium of the collection) but the Tithe Redemption Commission, a government organisation which did not hesitate to invoke powers of distraint and even court action resulting in imprisonment for non-payment of tithe. There seemed unfairness in the assessments on different farms. In the arable areas of the east and south of England tithes could be heavy; grass land was more lightly levied.

My first firm in Wiltshire, 526 acres, had been let to me at £235 a year. The landlord, who was liable for tithe, was required to pay over in tithe more than half the rent money: £172 a year. No wonder that when he died, his heirs turned me out and sold the farm.

In some areas, particularly the historic grain lands of East Anglia, rents did not cover the tithe charge; occupiers re-

avoid payment. There were some violent disturbances and the term "Tithe War" was in common use. Now all is peace.

But the Country Landowners' Association now warns that some landowners could be at risk under a little-known law: the Chancel Repair Liability, which dates from before the Reformation. Unlike tithe, which used to be levied on all the land in the parish, chancel repair liability falls on the owners of glebe lands.

Originally, glebe lands were in the occupation of the rector; they normally belonged to the Church. From them an incumbent derived extra income in cash or in kind. In return, Chancel Repair Liability laid responsibility for the repair of that part of the church which lies east of the chancel steps on the rector, as the beneficiary of the glebe. Over the centuries glebe lands have been split up and sold off, they are frequently the pony paddocks of the new country dwellers.

But new owners can be classified as lay rectors who could be called upon to carry out repairs to their parish churches. According to the CLA, Chancel Repair Liability is unique in that, unlike tithe, it is a charge on the owner, not on the land. This means that normal searches carried out in the course of conveyancing would not turn up the charge. Therefore an owner

calls "the conveyancing trap," with no means of establishing liability before purchase, and no redress afterwards.

The Law Commission has proposed that this law should be abolished in ten years' time, in 1986. The CLA believes that, although Church Councils would be reluctant to force unwilling owners to pay up, the approach of last-minute claims. (After all many landowners are not Church goers. Antagonism between them would not inevitably affect parish relations.)

So the CLA is calling on the Lord Chancellor to bring in legislation to abolish Chancel Repair Liability immediately. If he is unwilling, the CLA further proposes that future claims should be limited to 50 per cent of the cost of the work, and that only those glebe landowners notified before the ten year period should be liable. And there the matter rests for the moment.

It seems that there is nothing much that present owners of such land can do but lie low and say nothing. Church Councils may not all be awake. But anyone buying land should try to establish that none of it has been glebe in the past. Field names like glebe field, the glebe Church field and so on are clues. Solicitors should be made to search parish records. Or the vendor should incorporate an indemnity in the contract.

Collecting

What's left after the ball is over



Lady Jane Grey from "Fancy Dresses Described," 1882.

COSTUME balls began to be popular in Europe early in the 1800s. Louise, Queen of the Belgians, gave several in Brussels in 1836 and 1837, while her father, King Louis Philippe, held one at the French court on February 5, 1842.

The same year, Queen Victoria gave her first fancy-dress ball at Buckingham Palace for 2,000 guests who had to wear historical outfits of any period or country. The main criteria was that they should be accurate representations.

The fact that some costumes at private parties often had "glaring inconsistencies" was bemoaned by Ardern Holt in *Fancy Dresses Described* or *What To Wear At Fancy Balls*, published in 1882 by Debenham and Freebody, with coloured lithography by E. Meyerstein. Marie Stuart's head-dress would appear with powder, for instance. "It is as well to remember that powder was introduced into England in James I's reign," pointed out Arden, who also deplored an ill-heeled Louis XIV.

Then, there was Berengaria of Navarre, Richard I's wife, sometimes wearing "distended drapery." The sleek silk and satin attire, embroidered with the arms of England, bordered with ermine and worn with gold collar and girdle and jewelled stomacher, should have been

"falling straight to the feet, without much extra width." Instead, it aped the then-popular pannier-style which followed the demise of the crinoline.

There was a warning about high heels, too—they were not around until Elizabeth I's time. Clothes were not much in evidence until the 10th and 11th century, and then not much worn until the 14th. But for those who felt it "uncomfortable to dance without gloves," the long embroidered variety or mittens were admissible.

Quite what the Victorians felt about wearing the Merveilleuse costume of the French Revolution, where "underclothing was almost dispensed with," was not revealed although, because the bodice was cut extremely low, it was considered polite to carry a scarf to throw over the shoulders.

At juvenile fancy-dress parties, conjurers, minstrels, Punch and Judy and a magic lantern show were in demand, with a Brandy Ball, Man distributing sweets, Youngsters could be Gainsborough Blue Boys with lots of lace; high jack-boots and a three-cornered hat personified Dick Turpin; and Miss Muffet had a spider in her cap. Accessories for Robinson Crusoe were somewhat fearsome—a

fowling-piece, pistols and hatchet as well as a green parrot and umbrella. Debenham's, of course, would make up any of the 1,000 or so costumes featured, with wigs and swords a speciality.

The Bethnal Green Museum of Childhood in east London is building up a collection of period fancy dress, particularly of the 1920s and 1930s when costumes were less elaborate but equally ingenious. There were bus conductor outfits complete with peaked cap, money-satchel and machine that punched tickets; sailor suits with whistles and lanyards; and pirates and Red Indians with necessary war-like accoutrements.

Costumes such as these form part of a bequest to the museum by the Andrea family of Tandridge Court, Surrey. The eight children of Dr Edward and Mrs Constance Andrea had fancy dress from many of the leading stores—Harrods, Row's of Bond Street, Goringe, and Goch. From Daniel Neal, there were two jockey outfits, in racing colours of pink and blue. A novel representation of a Colman's Mustard advertisement was a tall coat decorated with mustard-tin labels, trousers, bow tie and socks, all in bright yellow.

The doctor favoured 18th century gentlemen's attire trimmed with masses of imita-

tion gold and brass buttons, supplied by J. Burkinshaw and Sons of 28 and 30 Colquitt Street, Liverpool. Mrs A. plumped for a Plantagenet Lady in turquoise, pink and purple silk.

Three bumble bees, a Dutch girl and boy and a Harlequin make up the Clifton family's donation. The most recent offerings are from 70-year-old Eileen Brook of Essex who acted in her Clapton secondary school plays, sometimes using dresses worn by her mother, Amy, early in the 1900s.

In fine condition is the gear worn by Eileen as a member of Madame Grace Behenna's troupe of Wonder Children, the Juvenile Jollies, who gave concerts for charity. Particularly nostalgic is the pink velvet beaded shift modelled on grown-up lines with a slit skirt, worn for the 1924 Weston and Lee song "Shall I have it Bobbed or Shingled?"

Selling and hiring period and contemporary fancy dress and props is booming, reports Escapade in Camden High Street, NW1, one of 35 theatrical costumiers listed in London's Yellow Pages directory. Top favourite characters are werewolves, nuns, slave girls, gnomes, belly dancers and those from outer space.

June Field

CHESS

THE PRESENCE of the exiled Soviet grandmasters Korchnoi and Spassky in Western Europe has had a markedly favourable effect on the level of tournament activity in recent years, as organisers have sought to include one or both of the celebrities in their events.

The pair have competed in Britain at Phillips and Drew/GLC, at Lloyds Bank, and in exhibitions against the England junior squad. Spassky will be back this spring for the GLC International on 12-27 March at the Great Eastern Hotel in London.

Though Korchnoi is now 54, Spassky 43, they are not far short of the form of their best years. True, Spassky frequently has quick draws, and Korchnoi is variable—but they had these characteristics even when they were leading young GMs of the USSR in the 1960s.

Korchnoi was the leading individual scorer at the 1983 world team championship. Spassky almost qualified for the 1985 candidates.

Belgium is the latest country to use K and S as showpiece of a major new international. Brussels had never previously staged a top class chess event, yet last month's tournament there had the powerful sponsorship of Ohra Insurance, who also back the traditional annual summer congress in Amsterdam.

As support for their two stars the organisers invited three British players, though none of K and S's erstwhile colleagues from the Soviet Union. Another interesting entry was Zsuzsa Polgar, the 16-year-old Hungarian girl whose recent successes were described in my January 4 article.

opposition, K and S outstanced the field. Korchnoi began with 10 out of 11 before easing up at the finish and allowing Spassky within half a point. Korchnoi (Switzerland) 11/13; Spassky (France) 10/14; van der Wiel (Holland) 9/14; Sax (Hungary) 8/11; Nunn (England) 8/11; Grenfell (Israel) 7/11; Garcia Palermo (Argentina) and Polgar (Hungary) 6/11; Speelman (England) and Koussikou (France) 6/11; Hodgson (England) 4/11; and three Belgians.

The British contingent had a tournament they will wish to forget. John Nunn, the 1984 Olympiad gold medalist, had the quickest defeat of his distinguished grandmaster career. White: C. Sax (Hungary). Black: J. D. M. Nunn (England).

Petroff Defence (Brussels 1985). 1 P-K4, P-K4; 2 N-KB3; 3 P-Q4, N-K4; 4 B-Q3, P-Q4; 5 N-K2, 6 N-QB3.

The sacrifice 6 N-K4; 7 Q-R5 ch, K-R3; 8 Q-K2, K-B2 leads to a draw by repeated moves.

8 N-Q5, N(Q2)xN; 7 P-N, B-QN5.

This already looks suspect, winning an unimportant pawn at the expense of development. Better alternatives are N-B4 and B-KB4.

8 O-O, N-N; 9 P-N, B-P; 10 R-N1, Q-K2.

Now simply casting is in order: if then 11 B-P ch, K-B; 12 Q-Q3 ch White regains the pawn but Black should draw, while if 11 Q-R5, P-KN3; 12 Q-R6? B-P.

11 R-N3, B-P. Fatal, but Black's position is already difficult since 11...P-Q5; 12 P-B4 with a quick P-B3 gives a dangerous attack.

12 R-K1, O-O; 13 Q-R5, P-KB4; 14 B-KB4, Resigns. Grandmaster Sax seemed to specialise at Brussels in B-Q3 and Q-R5 attacks: here is another example.

White: G. Sax (Hungary).

Sicilian Defence (Brussels 1985). 1 P-K4, P-Q4; 2 N-KB3, P-Q3; 3 P-Q4, B-P; 4 N-P, N-KB3; 5 N-QB3, P-Q3; 6 P-B4, P-K4; 7 N-B3, Q-NQ2; 8 B-Q3, B-K2; 9 O-O, Q-O; 10 P-QR4, N-B4.

So far this is a standard variation where Black's usual move is 10...Q-B2. The knight move plans to break up the centre pawns and force early equality, but there is a flaw.

11 K-R1, P-Q4; 12 B-P, K-NP; 13 N-Q4, B-N4; 14 Q-R5! B-B; 15 Q-R3, P-KN3; 16 Q-R6, N-N; 17 P-N, P-B4.

Simple natural strategy has left Black without a reasonable defence to the threat B-B4-R4. 18 P-P ep, R-P; 19 R-R5, Q-R4; 20 R-B1, Q-K2, O-O; 21 Q-N5, intending QxQP ch or Q-Q5 ch.

21 B-NP! P-B; 22 Q-P ch, K-R1; 23 Q-R6 ch, K-N1; 24 P-R3, B-Q2; 25 N-B5, B-N3.

If 25...Q-R2; 26 Q-N5 ch, K-R1; 27 Q-B6 ch, K-N1; 28 N-K7, 26 R-B, N-K3; 27 R-K5, Resigns.

For if R-K1; 28 Q-N6 ch wins the queen or mates.

PROBLEM No. 603

BLACK (11 men)

WHITE (8 men)

White mates in two moves, against any defence (by J. Harting, Ohra Amsterdam 1985).

Offered as a competition prize problem, this diagram so intrigued solvers that more than 1,400 from all over the world sent in entries.

Solution Page XIII

BRIDGE

THE DECEMBER gods did not deal me a fair share of good hands, so I wish New Year's Eve they reloaded:

N
A J 9 5 3 2
A 10 3
10 6 3
K Q J 9 8 6 4 3 2
7
Q 5 4 3
S
K Q
K Q J 9 6 4
K J

We were vulnerable when my partner, North, dealt and bid one heart. I forced with three diamonds, and West tried to make life difficult by a preemptive four spades. North said four no trumps, to which I replied with five diamonds, and continued with five no trumps. When she heard that I had two Kings, she jumped to seven diamonds.

West led the spade King, inconveniently removing an entry from dummy. I led the diamond five to my King—this is essential in case East has four trumps. If an honour is led from dummy, the contract is doomed.

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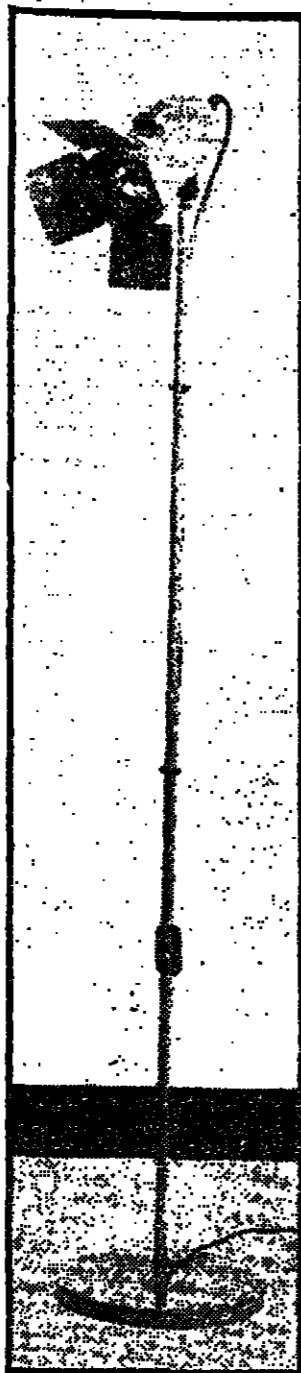
DIVERSIONS



Lucia van der Post

Lights fantastic

BRITISH HOME STORES lighting department has long been one of the first stopping-off points for those interested in inexpensive lighting of high quality. You will not, of course, find the very latest in avant-garde designs but what you will find is good, honest, middle-of-the-road lighting of the sort that will fit into most homes. Take, for instance, the Holly-wood light — when I first fell in love with version of this design they were to be found only in the most exclusive of shops at equally exclusive prices. Today, courtesy of British Home Stores, a similar light is available at prices most of us can afford. The floor standard has a hard plastic shutter, comes in white, black or red and is 4 ft 6 ins tall. Styled to look much like a photographer's studio lamp, it is £18.99. A similar light, just 14 ins high and suitable for using on a desk, is also available in the same colours at £10.99.



Throwaway lines

WE HAVE had "throws" for transforming people (the great American idea of the huge shawl that added instant glamour and warmth), but now let me introduce you to "throws" for transforming your upholstery. Not a new idea, of course. For years I have been using Flokati rugs to soften the look of my sofas and many a bed-sitting room has been cheered up with soft rugs or shawls draped over shabby chairs or sofas.

However, Manderac is the first company I know of to produce in a professional and considered

way a complete range of woollen throws and overlays designed to give an instant uplift to upholstery that is either shabby and worn or else out of tune with the rest of the colour scheme. The cost of re-upholstering is one of the biggest drawbacks to changing the colour scheme of a room, but with this range of overlays out-of-key fabrics can be prettily masked.

There are for the moment three different colours — blue/green, red/coral and beige/blue/pink and two different sizes. The smaller size (31 inches by 82 inches) is £34.45 and is suitable for most chairs, whilst the larger (62 inches by 82 inches) is £69.95 and is large enough to cover the average sofa. There are also matching covers for arm-rests, and a series of cushions.

The fabric is all 100 per cent fine, worsted wool and should be dry-cleaned. Besides covering a multitude of shabbiness, I see the throws as being a useful way of protecting upholstery from the ravages of dogs, children and all the other things that homes are subject to. You can see them at Manderac's London showroom at The Glasshouse, 11 Lettice Street, London SW6. Only available from The Glasshouse, they can be bought by mail plus £1.50 p+p per item.

Winter warmers

FOR SKIERS or those who find the winter just plain chilly, the range of underwear designed to keep them warm gets prettier all the time. There are those who put their faith in the new, fancier fibres labelled "thermal." However, "thermal" means nothing more nor less than "of heat" and wool is as "thermal" a fibre as any. Lux Lux, who have produced this exceedingly warm and frothy collection of undies, believe that the thermal efficiency of a garment depends primarily on the thickness of the fabric from which it is made — for this in turn affects its ability to trap the still air within it.

The underwear here uses 100 per cent pure wool. It comes in beige or cream and is designed to fit medium and large sizes only. The long-sleeved top is £10 for the medium size, £11 for the large, while the long pants are £9.50 for medium and £11 for large. Most good department stores and lingerie shops stock the Lux Lux range.



Carpet cleaning

IF YOUR carpets look anything like the way mine did just after Christmas (25 people opening presents, munching nibbles and drinking champagne do not improve anybody's carpet) you might like to know about Safe-clean which offers its own special method of cleaning. Most of the specialists in these matters tend to use steam-machines — the distinguishing mark of Safe-clean is that it doesn't believe in them (it says they are too harsh and leave the upholstery and carpets too wet).

First of all the dry dust and soil is brushed out of the carpet and then the operator gets to work with real sponges and a cleaning, foamy liquid based on a herb called Saponaria (first used, you will be interested to know, for cleaning wigs in the time of Elizabeth I). The foam is spread by hand onto the fabric, the soil is loosened and, after several hours work, the carpet is left looking rejuvenated.

There are Safe-clean operators all over the country (simply look them up in Yellow Pages under Carpet Cleaners) who will come to the house and give you a free estimate.

Dyeing for a change

TIGHTS, too, brought in a large post-bag and a collection of grey ribbed tights all in exactly the kind of grey that doesn't match any of my grey clothes. I am indebted to one reader, Mrs. H. for her tip — she dyed a collection of off-textured tan tights with a multi-blue Dylon dye and now she has a splendid collection of murky-grey black pairs, exactly the colour she needs for her black, grey or navy clothes. I shall try it out when I get around to buying the Dylon. Another reader, Mrs. C. McFadyen tells me that she has found that a marvelous way of muting the colour of plain tights is to wear two pairs — the underpair should be a light tan shade.

One of the Christmas Quiz winners was mistakenly listed. Apologies to Susan Barry, who receives a mug of champagne.

An all-English jungle outfit

I SHOULD have known better. It takes just a single mention that one has failed to find something for one to be taken firmly to task by those who have long been supplying just the very thing. Survival Aids has pointed out that it supplies what it describes as "complete clothing systems for all climates and conditions, including deserts and jungles." A glance at the catalogue sent to me shows that it does indeed. Personally, I prefer the clothing from

Banana Republic (except for one marvellous dark green army shirt) but it does offer some wonderful accessories for those going on adventurous holidays — waterproof notebooks that could have done with one of those down the Zambesi, waterproof mapholders, really sturdy Tekna torches, an insect repellent, Repel 100, which it claims is stronger even than Jungle Formula, long-life candles, camouflage binoculars and a host of other ingenious

gadgets. The catalogue is free from Survival Aids, Morland, Cumbria, CA10 3AZ. Readers who like the Banana Republic range featured last week and are likely to find themselves in New York might like to note that there is a retail shop at 2376, Broadway on the corner of West 87th Street. There you can see the full range of all it does, and if you have that can't wait to get it home feeling, you can try it on and buy there and then.

Milk or cream

A CURIOUS myth about Oloroso sherry is that it is naturally sweet, whereas like all sherry, the must is fully fermented out and all the natural sugar in the grape is converted into alcohol. But how often does one taste a bottle of really dry Oloroso here in Britain? Yet, in my view, it is an admirable aperitif for the cooler months of the year. One reason for its full-bodied character is that it is normally stronger than Fino, whose table-wine strength of about 12 degrees is fortified with brandy immediately after the fermentation to a strength of 15.5 degrees; and after it has passed through the solera system and is to be shipped, the bodega it is further fortified to 17.5 degrees.

Oloroso tends to come from a different part of the Jerez vineyard than Fino, and some of the best derives from Caracul. It develops much more slowly than Fino (average age five to six years), whereas a good Oloroso should be 12 to 15 years old.

Although the wine in a Fino solera may be drawn off three times a year, with Oloroso it is likely to be only once. There are fewer stages or "seals" in an Oloroso solera. The reason why it is a much deeper colour than a Fino is because of the slight oxidation that develops over the years, as it does with all white wine.

All the leading houses have a dry Oloroso. Domecq (Rio Vinho), Gonzalez Byass (Alonso), etc. Most Olorosos to be found in Britain are sweetened, and the best-known examples are Bristol Cream, Bristol Milk and Croft's Pale Cream.

A few years ago Harveys held a tasting of old Bristol Creams and Milks, and it was clear that to achieve any special distinction of character they needed to develop that fine, soft and nutty aroma associated with old-bottled sherry that before the last World War was on most traditional wine merchant's lists.

A 30-year-old cream had something of that flavour, while really old vintages of both wines, including 1851 and 1862, had delicious bouquets, but had become very dry.

If dry Oloroso is rare here, authentic Amontillado is scarcer. For it must be a dry Fino that has been left to develop for anything between five and 20 years. The flor gradually disappears and the wine acquires a more delicate fullness than an Oloroso.

The ageing time costs money, and authentic Amontillado must be relatively expensive, while the popular varieties, coloured and sweetened, are expected to be low in price. However, a fairly widely distributed dry Amontillado is Valdespino's Tio Diego that retails at around £4.50. Another is Garvey's Tio Guillermo at much the same price.

One does not have to look down on slightly sweetened Amontillados if they are properly old and sweetened only with FX rather than some of the cheap drier sweeteners. The 20- to 25-year-old Don Zolio Very Old Amontillado, with a deliciously nutty nose and deep old-sherry, faintly sweet flavour sells at Fortnum & Mason and Harrods for £6, and for the quality cannot be regarded as expensive.

Amontillados like the other full-bodied sherries, can last to a great age. In San Lucas de Barrameda I tasted a Manzanilla Amontillado, well over 100 years old and dating from before the phylloxera (1890-1892 in the sherry area), a fine clear medium in colour, a fine clear brown, with honeyish bouquet, very dry, concentrated flavour and some acidity, but still drinkable.

Finest of all in Jerez as elsewhere is Palo Cortado, in style displaying an Amontillado aroma and an Oloroso flavour. Although there is a theory that before the phylloxera it was the normal type of sherry, it now occurs very rarely, once in every three thousand butts, I

Wine



have been told. Perhaps it is not so rare as that nowadays, for a number of wine merchants list it, including Avelly and Harveys of Bristol, Christophers and Laytons in London. The Hungerford Wine Company has Lustau's Palo Cortado for only £2.95.

In a Jerez bodega, the likely outcome of each young wine in butt — Fino or Oloroso — is marked in white on the barrel, and a year later this is checked. For a Fino a straight line with a small curved branch is marked on the butt, and a circle crossed by a straight line indicates an Oloroso. For the rare Palo Cortado this classification, shown by several white strokes, must be settled within two years. Like Oloroso, it is a sherry that requires a long ageing period.

One of the best known is Williams & Humbert's Dos Cortados, indicated by two strokes, denoting age. Sweet sherries drunk as aperitifs tend to lessen the appetite and may well affect the flavour of succeeding dry table wines, but these dry Olorosos, Amontillados and Palo Cortados have a more warming effect. They may not stimulate the palate as Finos do, but then Finos may seem a little austere in cold weather when the fuller-bodied sherries are more welcome and certainly deserve wider consumption in a British winter.

Edmund Penning-Rowell

Cookery

Cinderella goes to the ball

THE IMAGE of cabbage has changed dramatically. Once upon a time cabbage was the Cinderella of vegetables, often despised and maltreated. At best we thought of it in terms of neat allotments glimpsed from train windows, where brassicas always seemed to dominate the serried rows, worthies braving all weathers. At worst it evoked reeking memories of institutional corridors haunted by cabbage killed by drowning and kept hot for hours.

Now the connotations are far sweeter. Cabbage means healthy food, vitamins and fibre. Cabbage means delicious variety of textures and tastes — fresh and light, frizzy and crisp, rich and succulent. Steaming, frying and braising are in. Boiling is out.

COUNTRY CABBAGE
This is a gently cooked dish, not a stir-fry. Enough to serve 4-6 people depending on how many other vegetables you are serving at the same time.

About 1½ lb shredded green cabbage (Savoy, Primo, Drumhead or January King); 3oz finely chopped onion; 4-5oz very thinly sliced leek; 3oz streaky bacon, de-rinded and cut into snippets; 1 small garlic clove; sunflower oil; salt and freshly ground black pepper.

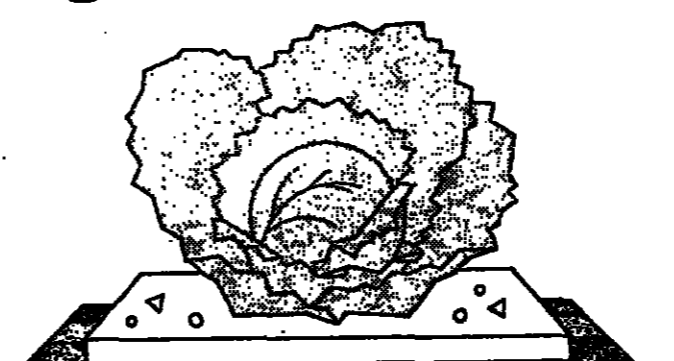
Warm a tablespoon of oil in a sauté pan at least 12-inch diameter. A nonstick pan should be placed over low heat. Stir in the onion, cover and sweat it for about 6 minutes. Add the leek and stir and turn it until it is lightly coloured all over. Then add another tablespoon of oil to the pan and let it warm through.

Add the sliced leek and stir continuously for half a minute. Add the cabbage (the weight given in the ingredients list is prepared weight), the crushed garlic and a seasoning of salt and pepper. Stir and turn the contents of the pan quickly and thoroughly so that every shred glistens with a little fat and the ingredients are well mixed.

Cover the pan with a well-fitting lid and let it cook as gently as possible, just stirring occasionally, until the vegetables are nicely cooked — neither too crisp nor too soft. Allow about 10 minutes. Check seasoning and serve straight away.

SEAWEED SPRING GREENS
I hate deep-fat frying but this snack food is so delicious and so cheap that I cannot resist making it once in a while. Scrumptious to nibble with pre-dinner drinks and excellent as a garnish to sprinkle over boiled rice.

3 or 4 compact and very fresh heads of spring greens; sunflower, safflower, peanut or corn oil for deep fat frying; sea salt; freshly ground black pepper; toasted seeds — sesame, cumin and/or coriander.



Pauline Rosenthal

Trim the stalk ends then cut the heads of spring green across. Cut them one at a time, holding the head into a tight bunch and using a very sharp knife so the leaves are sliced into very fine shreds.

Deep fry in small batches in oil heated to 360-375°F. The greens will take only a few seconds to become crackling and translucent. Drain thoroughly on plenty of crumpled kitchen paper and keep them very hot while you fry the rest. Then sprinkle the "seaweed" with a seasoning of salt and pepper and a scattering of aromatic spices or seeds — freshly toasted and lightly crushed with mortar and pestle.

SAVOY PARCELS
Make this comforting supper dish soon, while fresh chestnuts are still in the shops. I recommend it for evenings when at least one member of the family joins you in the kitchen to peel — and to share the task of peeling the chestnuts. Serves 4.

1½ lb Spanish chestnuts; 6 oz streaky bacon; 5 prunes; 20 Savoy cabbage leaves; 1 little butter and lemon juice; about 1 pt light stock.

Peel the chestnuts and cut the bacon into snippets. Stone the prunes and cut the flesh into quarters (unless the prunes are dry and wizened there is no need to soak them before cooking). Blanch the cabbage leaves by dropping them into boiling water for 2 min to make them pliable. Drain the leaves, pat them dry and spread them out on the work surface. Pile the chestnuts on to the leaves. Add a piece of prune and some snippets of bacon to each. Then roll each leafy parcel neatly, as though making dolmades. Lay the parcels seam side down in a well buttered sauté pan or a Le Creuset buffet casserole. Pack them fairly tightly, side by side, in a single layer. Grind some pepper over them (the bacon should provide enough salt), add a good teaspoon of lemon juice and enough piping hot stock to come most of the way up the sides of the cabbage parcels. Lay a circle of well buttered greaseproof paper directly on top of the parcels and cover with the pan

lid. Cook very gently on top of the stove, or in the oven at about 325°F (160°C) gas mark three, until the nuts feel tender when pierced with a fine skewer — about 40 min on top of the stove, nearer an hour in the oven.

Drain off the liquid with a bulb baster. Reduce it by fast boiling and add a little butter to make it well flavoured and slightly syrupy. Check seasoning, pour over the Savoy parcels and serve with plenty of potatoes — puréed, baked or a gratin.

CABBAGE WITH MUSHROOMS

Another cabbage supper dish, this one is quicker to prepare. Like Savoy Parcels, it can be made ahead as it reheats well. Serves 4-6.

1 white cabbage weighing about 2 lb; 1 lb cap mushrooms; 1 onion; a little butter and flour; ½ pt semi-skimmed milk; about 4 oz mature Cheddar cheese; sweet Hungarian paprika and dried thyme; toasted breadcrumbs.

Shred the cabbage, discarding tough stalk. Steam for 6-7 min and save ½ pt of the cooking water. While the cabbage is cooking, sweat the finely chopped onion in a little butter. Stir ½ oz flour into the onion pan, then blend in the hot cabbage water and the milk to make a sauce. Let it simmer for 10 min.

Away from the heat, stir 3 oz grated cheese and 1 tablespoon paprika into the sauce. Season to taste with salt, pepper and thyme, and stir in the cabbage. Spread half the cabbage mixture over the base of a baking dish.

Cover with mushrooms (which should be thickly sliced, sautéed and well seasoned with salt, pepper and thyme). Spoon the rest of the cabbage mixture evenly over the mushrooms, and top with a scattering of toasted breadcrumbs and a little more cheese. Bake for about 10 mins at 350°F (180°C) gas mark 4, then for 10 mins or so more at 425°F (220°C) gas mark 7 until very hot and nicely browned on top.

Philippa Davenport

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BOOKS

Rough road back

A HELL OF A LICKING: THE RETREAT FROM BURMA 1941-1942
by James Lunt, Collins, £18.00, 318 pages

THE STORY of British relations with Burma is on the whole a lamentable tale, of things done long ago, and ill done. As General Lunt makes clear, it goes back to the 19th century. Having seized Burma by force of arms, we never really addressed ourselves to ruling the country responsibly or to winning the respect or the hearts of the Burmese. Despite the great difference in the culture of Burma from that of India, Burma was regarded, in effect, as a kind of minor adjunct to the Raj. The truth was that Burma was a purely commercial enterprise, he writes; many of its officials and other white residents eccentricities, drop-outs, Somerset Maugham oddities. One of his brother officers told James Lunt that he had not come to waste time learning the language, but to shoot snipe. The Burmese, wily and sophisticated, adept in saying one thing to our face and thinking another behind our backs, never accepted us in the way that thousands of Indians did. Everything General Lunt has to say endorses George Orwell to the hilt.

The Burma army was badly organised and unprepared for war. Equipment was hopelessly short and unsuitable to the country. When the fighting began, it was the worst case imaginable of bricks without straw. The country was lost before the first shot was fired. On top of this the commanders, Aveling, Hutton and Smyth, were at loggerheads. The Burmese troops were riddled with disaffection and unreliable. As for the civilians, they became increasingly ready, as things went from bad to worse, to stick a dagger into any solitary European as soon as look at him.

The author describes in almost Shakespearean imagery the evacuation of Rangoon without a fight and the chaotic panic which rolled northward: "People fought to get on trains. Lunatics were turned loose from the asylum, wild animals from the zoo, criminals from the jail. Looting, accompanied by arson, was rife. Everything, from the disposal of nightsoil to the dispensing of dangerous drugs, ground to a halt."

As the RAF pulled out en bloc (what else could they do?) the Japanese demonstrated their terrifying barbarity and the disaffection of the Burmese, both civilian and military, increased on all sides, attempts at organised resistance by the British became a nightmare, choked in the fog of war, distorted by rumour, drowned in order, counter-order and disorder. From this foul womb was born the longest retreat, in terms both of time and distance, in the history of British arms: 1,000 miles in five months.

The loss of the Salween line was followed by that of the Sittoung, of the Irrawaddy, of the Chindwin. The ghastly hazards of retreat to India through the hills, the jungle and the monsoon had never been properly appreciated by the generals who ordered it. At the far end there were neither adequate reception camps nor medical facilities. The author's formation, 2nd Burma Brigade,

began the campaign 5,800 strong: 490 of them reached India.

His memories are of regret and humiliation; of the savaging of a beautiful country; of chaos following the total collapse of civilised administration; of innocent civilians dying by the roadside in thousands; and of a nation, despite all the horrors, glad to see the back of us. This was the true nadir of the British Empire.

A Hell of a Licking: The Retreat from Burma 1941-42 is a very good book. First, it is attractively readable; and to attain this quality in telling, with go punches pulled, what is, after all, the most dismal and wretched British military story of this century is an achievement. General Lunt (who is an emeritus Fellow of Wadham into the bargain) succeeds in combining a taut, sustained narrative with impressive erudition, a confident, economical command of fact and evidence and, at various appropriate points, incisive analyses of both the socio-political and the military subjects of controversy which feature in his tale. He wastes no words and his style is lucid and agreeable. Picking up the book, inevitably I asked myself "Is this really going to add anything to what has already been written by eg. General Slim, Anthony Mains and Louis Allen?" After 30 or 40 pages, however, I no longer cared about that. For one thing, between General Lunt's literary style and Mr Allen's there is no comparison. Like Alice's King of Hearts, I simply wanted to go on till I came to the end, and then stop.

But what sort of a book? This is harder to identify than its merit. In part it is personal reminiscence — and telling reminiscence, for the author went through the whole campaign as a junior officer in the Burma Rifles — a singularly thankless and mortifying role, as he makes clear. Transcending reminiscence, however, the heart of the book consists of a fairly detailed account of the campaign, narrating the parts

played by individual formations and, where relevant, individual battalions and support troops, eg. sappers and signals, not to mention the Chinese and the RAF.

There are also personal assessments of the "top brass", from Wavell and Alexander to Hutton, Smyth, Cowan et al. (As for the touchline, neither Chiang Kai-shek nor "Vinegar Joe" Stilwell escape what one feels convinced are their just deserts.) In addition — and perhaps these are the best parts — there are, intermittently, analyses of eg. the political and social state of Burma before the Japanese attack in January, 1942; the military situation on the outbreak of the war; the reasons underlying the growing chaos and declining morale; the factors dictating the Hobson's choice of the lethal lines of retreat to India; and so on.

The author slips smoothly from eyewitness narrative to "brushed" treatment of particular battles and from these again to such general matters as the extent of Burmese collaboration with the Japanese; the noble achievement, in the face of the gravest difficulties, of General Goddard, responsible for supplies; the different characteristics of the various minority tribes of Burma; and the causes of the final collapse, despite our numerical parity with the Japanese. Perhaps this summary gives the impression that the book is rambling and badly organised. It is nothing of the kind. I wish the author had bitten some of the other generals, for one closes the book well and truly purged with pity and terror.

I have but two criticisms, one relatively slight, the other more weighty. First, do younger people still know, without being told, what is meant by eg. "fifth column", "bandobust", etc? Secondly, a lot of the places mentioned in the text are not to be found on the maps. Yet despite this irritating failing, I believe the book is one that will remain memorable to readers for many a season.

Richard Adams



James Lunt: officer in the Burma Rifles

PAWN TO KING THREE



MAHMUD SIPRA, caught in the JOHNSON MATTHEY BANK collapse, mingles fact with fiction in his stunning first novel of power and intrigue in the international shipping world.

"The new Jeffrey Archer"
Financial Times

Just published £9.95
Rainbird/Michael Joseph



The bridge genius Ely Culbertson (left) in play at the Almack's Club, London, in 1930 during an Anglo-American test match

Always turning up trumps

CULBERTSON
by John Clay, Weidenfeld & Nicolson £14.95 228 pages

ELY CULBERTSON and Contract Bridge are almost synonymous, but you do not have to be a bridge player in order to enjoy this biography of a really remarkable man. Indeed, at times you might imagine that you were reading a thriller, but the book is well and truly purged with pity and terror.

Ely's mother, Xenia, was Russian, but his father was brought up in Titusville, Pennsylvania. The Culbertson family was American. Ely himself was born in 1891 in a small village in Romania, but the death of Xenia's mother cut short the family's stay in Romania, and they returned to the Caucasus.

The account of Ely's early days in Russia, his political activities, and his association with the Revolutionary Party may not appeal to bridge addicts, but it helps to explain the curious inconsistencies in his character. Politics had a compelling influence on the young Culbertson, and though they took a back seat during his rise to fame through contract bridge, they were only dormant. By 1940 he had decided that it was up to him to save the world. The chapter, Travel, gives us a good insight into Ely's determination to succeed. In 1908 he sailed for New York — remember, he was an American citizen returning to the land of his ancestors. His original in-

tenion was to enrol at a university, but he was restless, and decided to chance his luck in San Francisco. To ensure that he made it the hard way, he sent all his money to San Francisco to await his arrival. Though by nature a hedonist, he travelled across America as a hobo, a hobo with a difference — he looked after his clothes, and always wore a clean shirt.

In 1921 he returned to New York, and after playing some auction bridge games, in which he made a modest living, he decided to join the Knickerbocker Whist Club. Here he met Josephine Dillon, later to become his wife. Even at this stage Ely had his own system of bridge — he regarded the other players as duffers, influenced only by high cards, and not by distribution. Eventually he converted to his theories. They played in lucrative challenge matches. In 1923 they were married.

It is, of course, for contract bridge that Culbertson's name will always be remembered. He invented the Approach-Forcing system, which taught players to value the 26 cards of the partnership, and not just to look stolidly at their own 13. Despite all the gimmicks and theories of recent years Culbertson's system remains the basis of modern bidding. And it was this system that enabled him to beat the experts in his own country. His first challenge in 1931 was issued to Sidney Lenz, the GOM of auction bridge. It was the Approach-Forcing system

against the Official system over 150 rubbers, and the result was victory for the Culbertsons.

Another turning-point came through the intervention of Col. Buller, who said he would lay odds on any team composed of English players beating a team of Americans. This was what Ely was waiting for. He challenged Buller to a team-of-four match on duplicate lines. The match was played in London, and the English were heavily defeated. As a result of this Ely was able to persuade Charles Schwab to present the Schwab Cup, which established the era of international competition. Once again a match was arranged in London against Col. Beasley's team this time and again the home side were annihilated.

In 1934 another important match in London was arranged against Harry Ingram's team. In Buller and Beasley. Ely had little to beat, but the match against Ingram was tough. I organised an evening of the match at the Dorchester Hotel. Rumour has it that the Americans prevailed through superior stamina. I was impressed by their skill.

The famous Blue Book, which explained the Approach-Forcing system, was published in 1930. After the Buller match it was well on the way to becoming a best-seller, and brought Ely fame and wealth. I enjoyed John Clay's book — and I am sure that many others will do the same.

E. P. C. Cotter

Fiction

Across the generations

WHITE WATER
by Joyce Reiser Kornblatt, Chatto and Windus, £9.95, 217 pages.

PARADISE
by Hugh Fleetwood, Hamish Hamilton, £9.95, 145 pages.

LOLA
by Delacorte. Translated from the French by Victoria Reiter. Viking, £9.95, 119 pages.

GUESTS IN THE BODY
by Michelene Wandor. Virago, £9.95 (£3.50 paperback), 147 pages.

THE SUN IN HORUS
by Mariana Villa-Gilbert, Hamish Hamilton, £10.95, 247 pages.

WHITE WATER is the first novel of Joyce Reiser Kornblatt, an American who teaches English at the University of Maryland. She has previously published one collection of stories: *Nothing To Do With Love* (1981). This also reads like stories, but the connection between the sections soon becomes apparent.

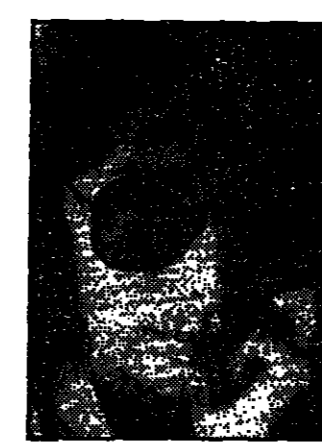
White Water is the story of three generations of a modern American family, and is told in first-person narrations by various of the protagonists. After lively beginnings and a plot skilfully laid, the end comes rather disappointingly and over-dramatically. Nevertheless, this is intelligent and humorous writing, and the author has a particularly good ear for dialogue. What she feels about families, with their bitter quarrels and feuds and warmth, is to the point.

Hugh Fleetwood is deservedly well known for his excursions

into psychological evil. Unfortunately *Paradise* is not one of his best: it reads flatly, and is mannered to no purpose. But it has Fleetwood's usual virtues of intelligence and sound characterisation. It is told by a teenage boy living on the coast of Liguria who understands evil (and its attractions) well enough to understand the motives for murder.

Lola is by the author of *Divya*, which was filmed in France with great success. Delacorte is the pen name of a Swiss novelist called Daniel Odier: he teaches at the University of Oklahoma. He has published novels under his own name, and uses other pseudonyms: as Delacorte he writes many semi-surrealist capers starring two dishonest characters called Gorodish and Alba. In this instalment the two crooks make their way through the world of punk rock. If you like pseudo-erotic outrageousness and shameless posturing, and have little sense of humour of your own, then you will like this. It seems to me to have been written mainly for the screen, which is doubtless where it will end up.

Guests in the Body is by Michelene Wandor, who has successfully adapted many novels (such as *Klippers*) for radio. This sequence of stories is centred about the Dybbuk, the invading soul of Jewish mythology. Dybbuk means "attachment": it is a soul which knows no rest because of the sins committed in life. It therefore seeks a haven in the body of a living person, and acts as an evil influence. What she does not think Michelene Wandor takes full advantage of this wonderful theme — which was a late development in Jewish belief, and was con-



Michelene Wandor: depicting a dybbuk

nected with notions of reincarnation. There can only be one Isaac Bashevis Singer, who defeats all those who try to write pastiche of him. This effort is all very fanciful, with many cooking notes and feminist embroidery — but alas, it is not very imaginative.

The irritatingly entitled *The Sun in Horus*, four inter-connected stories, is Mariana Villa-Gilbert's seventh book of fiction. Nonetheless, this author is new to me, and I am glad to discover her. The underlying theme, that we are all to some extent guilty of creating the circumstances which we most fear and loathe, is treated with some subtlety and compassion. In "Q" a cuckold creates his own undoing; in "Flight of the Owl" a husband connives at his own misery. Each of the stories is nicely underwritten, and each has a sharp point modestly but meticulously made.

Martin Seymour-Smith

Kicking the ball about

STEVE COPPELL was a highly talented footballer who combined the roles of right-wing and wing-half with a skill, professional dedication and brains. This made him not only a crowd-pleaser for Manchester United and England, but also the type every manager wants. A victim of a late-tackle, his playing career was ended when he was in his prime, but he is continuing in the game as manager of Crystal Palace.

Coppell should do well because he has had close dealings, in the past, with the likes of Bobby Charlton, Jimmy Greaves, and Jimmy Thomson. His assessments of the players he has managed are thoughtful and accurate. The book is a must for any football fan, or serious fan.

As usual the *Playfair Football Annual 1985* (Queen Anne Press, £1.95, 256 pages) is packed with information, facts and figures, a pocket reference book which is a must for any football fan, or serious fan. In Soccer in the Dock (Collins £3.95, 211 pages) Simon Inglis examines most of the major football scandals between 1900 and 1985, including a detailed account of the notorious throwing of matches for fixed-odds betting.

Golden boy of English song

THE FARTHEST NORTH OF HAPPINESS: LETTERS OF PERCY GRAINGER 1901-1914
edited by Kay Dreyfus, Macmillan, £25.00, 542 pages

PERCY GRAINGER was a maverick, a golden boy of Melbourne with curly hair, bright blue eyes a little too close together and a sulky mouth. Because he was a talented pianist, had much wider interests than most musicians and (though fairly but not impossibly farouche) could make himself liked, he fitted into all sorts of places among many kinds of people and races. He toured widely and exhaustingly, with groups doing provincial towns or as soloist in big cities, often with leading orchestras. He also composed, fitfully but fervently, at first refusing to consider publication or performance, though discussing his work with friends from student days at the Hoch Conservatorium at Frankfurt—Cyril Scott, Balfour Gardiner, Cyril Quilter.

The link between playing and his kind of composing is long way removed from virtuoso pianism) was folk-song. Grainger was an enterprising, ardent collector (we owe to him the Lincolnshire tune "Brigg Fair" so memorably treated by his friend Debussy) at a time when musicians all over the place suddenly realised that a wealth of traditional music was about to be obliterated by the industrial revolution. Cecil Sharp and Co in Britain, Bartók in Hungary, Grieg in Norway (Grieg was probably the greatest single musical influence on Grainger): folk-song was the starting point of much if not most of Grainger's large and, except for a few small things, still neglected output.

These letters cover the period of his European career as pianist and initial success as composer, up to the day in September 1914 when his "little mum" Rose Grainger and her darling "Perks" abruptly left Britain for the US. He was an enthusiastic traveller, mad about "abroad", his curiosity shown not only in his "boyish reasonless passion" towards Scandinavia but in his reactions to the Antipodes, his revisited homeland included. His instant enthusiasms led to wild generalisations and inconsistencies, explaining remarks to his intimates which might today be called racist — a word in dan-

ger of being stretched to breaking-point. What he may say in one letter about Jews, Australians or even the beloved Danes is pretty certain to be flatly contradicted in due course.

Rose Grainger, the efficient, self-appointed organiser of Percy's tours, was a desperately possessive mother. There was a long affair with a Danish girl, Karen, taken, slightly older than Percy. Most of the letters not written to Rose are to Karen, to whom Percy poured out his sexual fantasies in steamy explicit, sub-Lawrentian prose. "Crucially" he noted "has a deeper sensual attraction for me than anything else in the world." He started to buy whips. When he was on tour or in London and Karen was in Denmark he used them on himself. The practical side of life was not however forgotten. A description of "surely over 1,000 long red stripes" self-administered is followed by the remark "I play for Lady Speyer on Thursday." When they were together Karen, it seems, played her part, but when she realised that Percy would not marry her and that Rose was the stronger influence, she returned the whips and married a Danish doctor, Rose, who did not like what she knew about Percy's tastes, became at last "the one and only passionate relation of (his) life" until she died by her own hand in 1922. The father, John Grainger, government architect of Western Australia, had caught syphilis soon after their marriage and passed it on to her.

The material presented here comes mostly from the Grainger Museum at the University of Melbourne, whose curator Kay Dreyfus has edited the letters with detailed care. The layout, with the notes in the broad side-margins, makes for unusually quick reference. No excuse for missing them. They contain useful information concerning the ins-and-outs of musical life in Europe and elsewhere in the years before the Great War. Grainger was a keen linguist. He wrote in Danish and to a lesser extent Dutch and German (all translated) as well as English. His once-dreaded amplified score-markings ("louden lots" etc) are revealed not as harsh colonial imposition but as the fruit of a genuine concern for words.

Ronald Crichton

Pioneer sailor

CHRISTOPHER COLUMBUS: A BIOGRAPHY
By B. Granzotto, translated by S. Sartorelli, Collins £13.95, 300 pages.

THOUGH a great deal is known about Christopher Columbus's discovery of America and his four voyages there, little is known about the man of mystery himself. We do not even know what he looked like, except that he was tall and silent. What a contrast with our own Drake about whom we know so much, exactly what he was like — short and stocky, extrovert and talkative, even eloquent.

One thing they had in common. Each one had the support of a Queen for his obsession: Drake had Elizabeth for his passion to penetrate the mystery of the Pacific; Columbus won that of Isabella of Spain for his project to reach Asia by sailing westward across the Atlantic.

To be sure Columbus was a man with an obsession, and to his dying day he would not admit that he had discovered a New World. He was convinced that all the islands he ran into or nearly ran into, in the Caribbean — were off-shore islands of Asia, and that Cuba was but a long promontory sticking out from it.

The paradox is that, if he had known or been willing to recognise facts, he would never have made his unparalleled discovery. It rested on two errors: he

thought that the world was much smaller than it is, and that Asia, or the "Indies," projected out into the Atlantic. "Between the edge of Spain and the beginning of India," he wrote, "the sea is short and can be crossed in a matter of a few days." If he had not been able to put that across to the Spanish monarchs, they would never have backed him. He was eight years in Portugal lobbying the king, only to be rejected, then six years in Spain pushing his project.

Columbus was a projector, with an obsession; where Drake was a practical navigator, and popular; Columbus never. He was familiar with the eastern rim of the Atlantic, from Iceland and Ireland to the coast of Guinea. But what was on the other side? Asia was his answer, and he would not give up or give in.

He was as obstinate as Drake was determined. The author of this good book, readably translated, tells us that Columbus was not "a sensible man"; in fact, he was a bit "touched." The standard biography is that by a great American historian, S. E. Morison; but it is much too long — why think the bigger the better, in the American manner? This Italian biography is crisp, scholarly, and gives one a clearer idea of the man.

One error seems to have escaped everybody: for "Philip VII" read Ferdinand VII — there was no Philip VII of Spain.

A. L. Rowse

Guides and digs

PETER CLAYTON'S *Guide to the Archaeological Sites of Britain* (Batsford, £14.95 or £9.95 paperback, 240 pages) and Aubrey Burl's *Megalithic Britain* (Thames & Hudson, £15.00, 176 pages) are all that guides should be: clear, correct, with helpful illustrations and directions, and local lore as well as archaeology. I am using the British book already, and look forward to others and Gros Plant with the Broom.

Piggott (Thames & Hudson, £14.00, 191 pages) is an elegant life of an 18th century antiquary, who made valuable plans and observations of Stonehenge and Avebury as a young man and later became a fantasist and Druid-trunk. A romantic spirit and a country parson, he loved the land and encompassed in a lifetime scientific order with the barbarian chaos of prehistory.

Gerald Cadogan

Sky Paths Competition

A VERY LARGE entry has been received in response to our poetry competition on Halley's Comet. The poems are now

هكذا من الأهل

ARTS

Long runners full of beans

TWO RECENT news items provoked qualms. 46 per cent of West End theatre audiences is made up of tourists; and *The Mousetrap* is to celebrate reaching its third of a century with a party for 1,000 guests at the Savoy. Princess Michael of Kent will be present, but which detective will preside is not yet known. It is to be hoped that the Savoy has a sufficiently large library for 1,000 suspects to be assembled for the dénouement.

Now in its 34th year, *The Mousetrap* illustrates the danger of diffusing heady theatrical culture among excitable lesser breeds. A sharpish notice in the gentlemen's lavatory warns us that the main drain "becomes severely blocked," a result, apparently, of "patrons discarding underclothing... It is therefore vital that no such items are thrown into the wash-basins or the WCs."

Emerging somewhat defensively, one meets the disapproving portrait of Fulke Greville, poet and courtier, ancestor of Lord Willoughby de Broke, currently the fastidious proprietor of the St Martin's Theatre.

The auditorium is full not of satyrs and bacchantes but pleasant-looking Scandinavians and Americans, one of whom, seated next to me, yawns regularly and noisily, though his wife frequently asks whether "this is not something."

And something it certainly is. *The Mousetrap* is to the West End theatre what the ravens are to the Tower of London. Its disappearance would impoverish us — literally.

The plot is all that Agatha Christie fans could desire. A country house hotel shelters an

odd group of guests, including a few young men in a pink foulard who adore cooking and finds policemen attractive (Dame Agatha never left her T's uncrissed); and whom Robin Langford plays with all-fouling, all-giggling brio as if auditioning for *Amadeus*; and a woman with a mysterious past ("If she is a female" — Dame Agatha dotting an I) — played by the prospective SDP candidate for Harwich, I know ("By tomorrow we'll be cut off from civilisation"). A foreigner appears ("My Rolls-Royce, alas, has run into a snowdrift"), given to cryptically truncated cultural references ("Ah, jeunesse, jeunesse, as the poet says!"). Despite his bushy white beard, the others note that he moves like a younger man and wears make-up. "I don't want to sound melodramatic," somebody ventures, "but he could be disguised."

A tap at the window which, when opened, lets in a gale that makes Wuthering Heights sound like *Ilse Raubach*, though curiously it falls even to stir the curtains. A detective ("Sergeant Trotter, Berkshire Police. Can I get these keys off?"). At the mention of police the company registers the startled unease of patrons found clogging the drains with discarded underclothing. Thereafter things run their time-honoured course by way of murder until the final revelation when Colin Gourey, who has until then played the detective with palpable embarrassment, comes splendidly into his own. Elizabeth Lynne's mystery woman is acted with a down to earth straightforwardness that bodes ill for Miss

Lynne's political career; and Jane Bolton's Home Counties hoteliers harassed by homicide excels at a repressed hysteria much like my own. Freshly directed by Clive Perry, the 1952 piece visually inhabits an all-purpose mid-century world, though the ambivalent young man has been daringly given flared trousers by the usually thrifty management. I loved it. And the theatre can quote me.

The next homegrown hit on the itinerary of the visiting sans-culotte is surely *No Sex Please—We're British*. The Carrick Theatre has just changed hands but no sensible landlord would budge such popular tenants in their 15th year. Anthony Marriott and Alistair Foot have written an artless basic farce with a frenzied hero pushing people who are not meant to see one another in and out of various rooms. Today an assistant branch manager deluged by pornography in his flat above the bank would provide a comedy of embarrassment with farcical overtones a la *Le Comte de Monte-Cristo*; but *No Sex* chugs innocently along with such old friends as the character who says "Fardon?" when the doorbell buzzes (I remember Brian Rix with a variation of that one). Verbal subtleties ("French cucumbers are 50 per cent bigger than ours" or "Look at my badminton club tie—'you've pulled a shuttlecock out of place'") fall on politically uncomprehending ears, though funny business with sticky tape gets applauded.

Michael Frayn's *Noises Off* is coming up for its fourth birthday at the Savoy. Much of it is still deliciously funny, though the framing plot about the disastrous tour of an appalling comedy is broader and blunter than it was. Where Michael Aldridge's delicately doctored stage left one uncertain as to just how deaf, how vague and how alcoholic he was, Hugh Paddick trots knowingly through a comic turn in tireless pursuit of the bottle. Colette Gleeson's gushing gossip is potentially delightful but too exaggerated; and that frenetic backstage whirlwind where intricately choreographed jealousy, rage and pain erupt in frantic silence as the play continues on stage is now so mechanically drilled that the audience is bemused rather than amused. But laughter there was, much of it American; and the cod programme notes are gems.

There was a preponderance of English voices in the Duke of York's pretty auditorium for



Hugh Paddick, Lyndsey Richardson and Christopher Godwin in "Noises Off"

at either extreme of the society depicted. Me and My Girl came to town nearly a year ago, Noel Gay's tunes as neat and bright as Martin John's sets and Mike Ockrent's production. If a musical can be said to make a star of a former Hamlet and Edmund (to Olivier's Lear), it has made a star of Robert Lindsay; although in fairness he has done his best to return the compliment.

Mr Lindsay's painstakingly physical approach might in the last resort be judged calculated rather than spontaneous; but

what technique! Emma Thompson looks uncannily like her mother, Phyllida Law, 30 years ago; the cliché fantasy-ballet apart, the show is unabashed, fresh and happy. Snap up Robert Lindsay before he leaves at the end of the month. He takes the show to Broadway where that parochial public may not understand it; though the drains may yield up the salute of recklessness abandoned underclothing if the Americans know what's what.

Martin Hoyle



Shezwe Powell and Lon Satton in "Starlight Express"



Robin Langford and Robert Gladwell in "The Mousetrap"

Placebos that fail to please

THERE WAS an interesting talk on Radio 4 on Sunday called *Pleasing the Patient*. It dealt with the medical employment of placebos (or, to strict Latinists, I suppose, of placebimus). Placebos are items that the patient believes are good for him, even if in fact they have no medical effect at all. "Alternative" medicine, I learnt from Geoff Watts's talk, depends almost totally on placebos, though there was a suggestion that acupuncture might have some genuine effect. Doctors rely a good deal on placebos, the most common being the bedside manner.

Much of this, no doubt, is common knowledge, but it was good to hear it in authentic tones. What Mr Watts did not deal with is the extent to which placebos exist in non-medical circumstances. A common example is the belief that eggs with brown shells taste better than eggs with white. But the commonest of all is radio.

Often enough you will hear people say how much they enjoy a programme, when the programme is absolutely devoid of significance. This is where I call in *Desert Island Discs*, now occupying for its repeat Sunday's slot that should be given over to *The Food Programme*. What do you hear in *Desert Island Discs*? A presenter chosen for the familiarity of his voice, a guest dealing in trivialities, some random records, mostly as familiar as the presenter. Yet there are many listeners to whom this is as urgent as *Evensong*. Programmes like *Listen to the Band* on Radio 2 rely on favourite music; anything "modern" is out. Some programmes go to great expense to create the desired wallpaper impression—the New Year's concert from Vienna, for instance, which, an old, some listeners like for the multilingual announcements between the much-loved music. Radio 2 devotes hours a week to programmes specifically designed to say nothing, yet which bring the listeners a kind of joy. Familiarity breeds content.

I meant to introduce into that paragraph a reference to the new *Desert Island Discs*, but I think I will not.

While I am on about illusions, however, a good word for *Illusion*, a 30-minute play on Radio 4 on Tuesday morning, adapted by Simon Yates from a short story by Reinhardt Lettau. This was a charmingly shapely little tale about Russian soldiers in some uninhabited steppe. They have been ordered to build a fake village for Prince Potemkin and the Tsarina to see as they drive past in their carriage. It is supposed to be a mere facade, but the soldiers feel that, to build an imaginary village is less profitable than to build a real one. Glass appears in the sham windows. Smoke rises from the sham chimneys. A churchbell sounds. One day a sentry reports that the coach has driven past. All the troops were asleep, and no one looked at the illusive village.

Behind the facade, though, something was happening. The village has come to life, and the soldiers invite their colonel to be the mayor. He declines, however; civilisation itself has become a facade, he says, and the dark life behind will take over. It was handsomely played by John Rowe (the colonel), Nigel Anthony (the sergeant), and Shaun Prendergast (a soldier), and directed by Gerry Jones.

Radio 4's Saturday Night Play was a caricature of Horatio Bottomley. Man of the People, by Allen Suddler, began with a full-length sketch, illustrating his obsessions with shares, with books, with horses, with women, generously interrupted by popular songs of appropriate genres. I could have done without all those songs; they did not help establish atmosphere. But Bottomley was a fascinating rogue, and as Patrick Mower in the part chased fortune in the Hansard Union, the Basingstoke Canal, the Joint Stock Trust, the Grand National Sweep, the House of Commons, the First World War, Peggie Primrose and so on to the fatal Victory Bond affair, it was all fun. Of course thousands of poor people lost their money on the sidelines, but you can't make omelettes etc. Brian Miller was the director.

B. A. Young

Records

Brendel's progress at peak

MOZART: THE PIANO CONCERTOS
Alfred Brendel, Academy of St Martin-in-the-Fields / Mariner, Philips 412 856-2 (ten compact discs)

HAYDN PIANO SONATAS
Alfred Brendel, Philips 412 228-2

ALFRED BRENDL LIVE
Works by Liszt, Berg and Busoni, Philips 416 319-1 (LP and cassette only); for the benefit of Amnesty International

ALFRED BRENDL'S pilgrimage through the Mozart piano concertos for Philips began in 1970. An interim collection of 13 of the most familiar (though including neither the C major K.457 nor the D major K.537) appeared several years ago; now the remaining works have been added and the whole set transferred to compact disc. For those who acquired the original set (or the individual LPs as they were released), the new recordings are available independently as a five-LP box.

So much for the practicalities. There remains the question of what precisely Brendel has chosen to record. There are 21 solo concertos, beginning with the D major, K.175, the Concerto for two pianos K.365 together with Mozart's own

arrangement for two pianos of the triple piano concerto K.242, and two concertos rondo; Imogen Cooper is Brendel's partner in the double concertos. Thus the four early works that Mozart arranged from movements from other composers and included, for instance, in Barenboim's set are omitted.

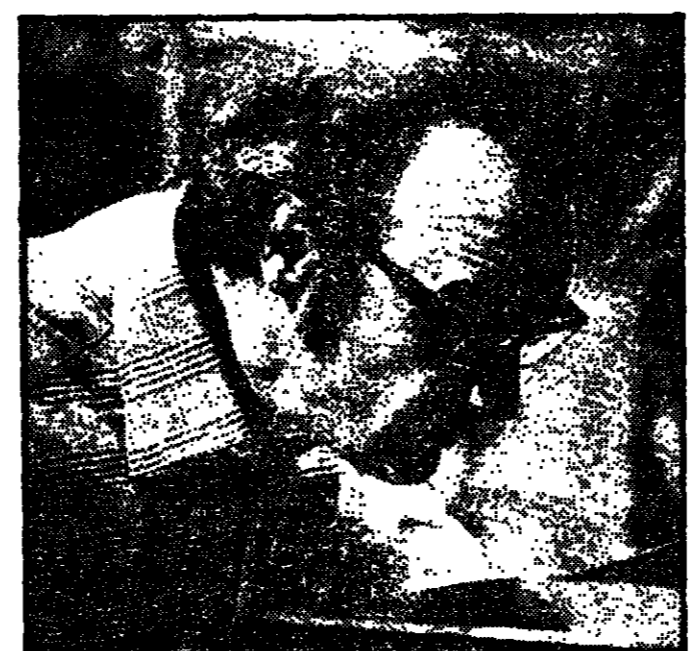
The pianist's approach is laid out in an essay that he contributes to the booklet accompanying the discs: he goes into his attitude to ornamentation and continuo playing (in both cases taking a moderate, restrained position) and to rhythmic detail. "Mozart was not a flower child. His rhythm is neither weak nor vague. Two-note patterns should be 'sighed' only when the music really demands sighing." From the earliest recordings (the C major K.414 and G major K.453) to the most recent, made at the end of 1984 (including the three earliest concertos and K.413 and K.451), what is most remarkable is the consistency of the playing.

Undoubtedly the younger Brendel was a more fanciful player, more inclined to be consciously expressive in his rubato and to cultivate a sensuous tone, but it is all very much a matter of degree. Certain of the newer performances appear unexpectedly inward; that of the first movement of the B flat,

K. 450 (recorded in 1981) is particularly curious, with gestures and tonal range kept to the smallest possible scale, though the C major K. 467, made at the same session, is much more vivid and acutely pointed.

Anyone at all interested in Mozart piano playing is likely to have at least some of the earlier recordings in their collections, unless they are entirely allergic to Brendel's style. Orchestra and conductor have remained constant through the project, and presumably the size of the orchestra has remained the same, though some recordings have a good deal more body than others. Mariner's accompaniments tend to be civilised but musically neutral, and with a less interesting pianist could well seem bland. In this context, however, they provide a well-balanced complement.

The mixture of analogue and digital sound on CD is not too intrusive, but the beefy texture of the little K. 175 seems slightly odd against the altogether leaner textures of some of the later concertos recorded in the early 1970s. The C major, K. 503, is taken from a concert in Strasbourg, and though the performance is fine, enough, the moments of audience participation become infuriating on repetition; it seems a pity that



Alfred Brendel

this one work was not recorded in the studio at one of the final sessions. In the context of the whole set that is only a minor complaint, however, particularly when its shining quality is consistency, and a depth of detail which sustains repeated listening.

The mannerisms, particularly of rhythm, which are so well contained in the Mozart concertos surface more damagingly in the three Haydn piano sonatas, coupled with the C major Fantasy and F major Adagio. Much of the playing is polished, re-

finned and enormously intelligent and since Haydn sonatas seem unpopular with leading pianists, it is a valuable addition to the catalogue. But the sudden undue prominence which Brendel can give to run-of-the-mill detail tends to disrupt the even tenor of the music; routine left-hand figures only draw attention to itself at the expense of the right-hand melody when articulated so emphatically as in both the E minor and D major sonatas.

No doubt the added lucidity

of compact disc highlights such tics in a way that may not be noticed so readily on LP. Certainly Brendel's highly wrought, almost anguished view of minor-key Haydn (the third sonata on the disc is the B minor) demands attention and takes the music far from its drawing-room connotations.

The live recital disc collects together performances spanning more than 10 years. Of the four Liszt pieces included, the two earliest from an Elizabeth Hall recital in 1972 contain marvelously characteristic playing, an impassioned account of "Spazialio" from the second of the *Années de pèlerinage* and a sinuous, glinting *Bog-telle sans tonalité*. Both these pieces together with "Vallée d'Obermann" and "Fuméeilles" Brendel has recorded in the studio, but the Busoni three-part Toccata, an imposing virtuoso piece, and Berg's Op. 1 Sonata are unfamiliar from him.

The Berg is in fact a studio recording, for Brendel admits in a sleeve note that none of his live performances of it lived up to his expectations, and that "for Berg's hypersensitive music, 'concert tension' turned out to be less beneficial than the calm concentration a studio has to offer." Certainly it is an intense, angular reading, consistently resisting the temptation to suffuse the textures with romantic warmth. It emerges stark and highly concentrated, quite the best account I have heard on record.

Andrew Clements

Heritage

£500,000 to save priceless treasures

THE NATIONAL Heritage Memorial Fund is facing the worst crisis in its six year history. It has the task of safeguarding the nation's heritage yet has just £500,000 left in the kitty. By the end of this month it has to decide whether it can contribute to the campaign to save from export the remarkable bust by Bernini of dal Pozzo which the heirs of the late Mr George Howard, of Castle Howard, must sell to meet debt duties.

This bust is valued at £3m and the Victoria and Albert Museum badly wants it. The museum will devote most of its annual purchase fund to the treasure, but still needs a hefty contribution from the Heritage Fund to keep it in the UK.

The fund was given £3m by the Government for 1985-87, but this has almost entirely been eaten up by the £44m in long term commitments which the fund has in hand. There are over 30 projects dependent on its resources, including £400,000 this year to refurbish Fyvie Castle in Scotland; finance for the British Film Institute's conservation programme for old films; the restoration of Painshill Park, the lost 18th century parkland in Surrey; and such projects as

the renovation of the Beamish colliery. With this work load not only has the fund no available resources to rescue any national treasure in sudden danger; it cannot even meet the demands of at least three current crises apart from the Bernini bust.

One concerns the gold font commissioned by the Duke of Portland from Paul Storr in 1797. The Minister for the Arts has withheld an export licence until the end of April, and the British Museum is leading the campaign to keep this unique item in Britain. But it will expect aid from the Heritage Fund in raising the £1275m needed.

In addition there are two areas of natural beauty, in Wales and in the north of England, under imminent threat. And any day the death of a country magnate, very rich in works of art but very poor in ready cash, could present the fund with a task quite beyond

its existing financial capabilities. The Treasure Houses of Britain show at the National Gallery in Washington has not helped. It may do wonders for the tourist trade but it has alerted many owners of masterpieces to the value of their possessions, and provided a shop window for rich American collectors. Already one item on display there is on the market, and the rise in prices that the exhibition has undoubtedly brought about will cause problems for the Heritage Fund for years to come.

In the past the Government has usually come to the rescue of the fund at the last moment. In 1985 it found an extra £25m, but this was immediately eaten up by the need to "save" three threatened houses — Kedleston Hall, Weston Park and Nostell Priory. Negotiations with the owners have proved more difficult than expected but the fund hopes to announce a happy solution about Nostell this

month, and to resolve Weston Park, the home of the Earl of Bradford, this year. Kedleston is still far from a solution, and the £25m set aside for all three houses may not be sufficient. The chief problem at Kedleston now is to finance its future, and to decide whether it should be operated by the National Trust or by English Heritage.

The Heritage Fund asked the Government for £15m for 1986-87. It is reluctant to allow its endowment to fall below £10m: to do so would go against its charter, reduce its investment income and leave it helpless if emergency arose. So instead the chairman, Lord Charteris, must put polite pressure on any Government department which might have some spare cash in the kitty at the end of the financial year. After all finding money for the heritage is good public relations; in 1984 the Chancellor of the Exchequer announced the salvation of Calke Abbey in his

Budget speech.

Since its inception in 1980 the National Heritage Memorial Fund has been under-financed. Last minute hand-outs have ensured that no important works of art have left the country and that threatened areas of natural beauty have been saved for the nation. Among its successes in its last financial year have been the restoration of Bangor Pier, the preservation of the archive of the Spencer family at the British Library, the salvation of 7,000 acres of moorland in north Derbyshire, aid for the Mary Rose, the raising of a Wellington bomber from Loch Ness, and a contribution towards the National Gallery's purchase of a Joseph Wright of Derby painting. It has cleverly steered a tricky course between safeguarding works of art and maintaining bird sanctuaries.

But cracks are appearing. It was not too concerned about its

inability to help save Mantegna's "Adoration of the Magi" for the UK, but it does regret the export of many Chatsworth Old Master drawings, sold at a Christie's sale. Things are now beginning to go abroad which should stay here. It has so far been unable to make a contribution to the latest four works of art threatened with dispersal overseas — some architectural drawings of Althorp House, Jacob Jordaen's painting of "Mars and Mercury leading horses to Venus," an 18th century skeleton clock by Joseph Merlin, and "Brutus and Portia" by Ercole di Roberti. These may not be substantial losses, but their export would set a trend. More worrying is a Renior on loan to the Fitzwilliam in Cambridge which is in danger of being sold off. The Government should act quickly before it is accused of sacrificing the national heritage to market forces, a policy which would bring it into disrepute among its traditional constituency.

Antony Thorncroft

Solution to Chess No. 603
1 BxP (threats 2 QxP and 2R-KB2) and mate next move.

THE WORLD OF WATERCOLOURS AND DRAWINGS

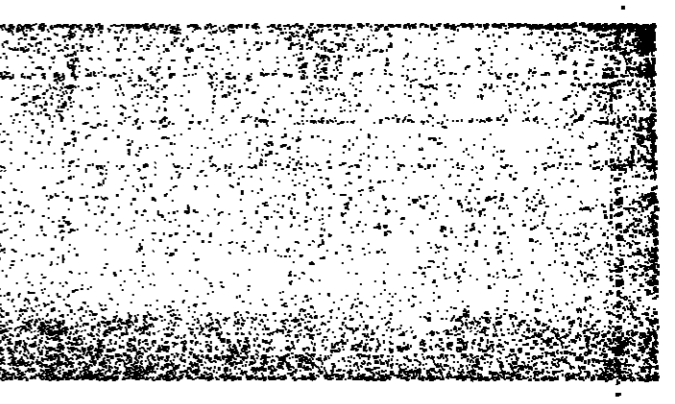
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WEEKEND FT

Private View

Third party not covered

THE LIBERAL-SDP Alliance has brought about the biggest revolution in the political thinking of the British people since the early years of this century: the smashing of the old duopoly of power by the Tory and Labour parties and the creaming off of the liberal wings of both old parties to a new position in the centre of politics.

This has been achieved in the teeth of a press and broadcasting system which is either actively hostile to us or else so deeply imprinted by the two-party system that it has consistently minimised the importance of the Alliance and its right to equal consideration as a serious contender for power, preferring to treat it as a fringe phenomenon.

It is important to be clear about what we are saying here and to avoid overstatement, if for no other reason than that this issue is currently the subject of legal contention between ourselves and the BBC. Yes, David Owen and myself do appear on television. Yes, there are references to Alliance positions and Alliance spokesmen on both news and current affairs programmes. What is lacking is any kind of proportionality which properly reflects the strength of the two parties in British politics.

This is because, ironically, the evolution of political consciousness among the electors has not been matched by those whose professional task it is to inform the mass developments. News broadcasts are in general filled with traditional, two-dimensional political views. Current affairs programmes creak audibly when obliged to change their formats to accommodate those rare occasions on which three-party representation is deemed to be appropriate.

The situation is so entrenched that even on non-political occasions, such as last year's Remembrance Day, when laying at the Cenotaph, neither the BBC nor ITN could actually bring themselves to show any opposition party other than Labour laying a wreath. BBC Radio Four news also broadcast New Year messages from Mrs Thatcher and Mr Kinnock, but not my own, although they were all released on the same day.



"We are the people always squeezed out." David Steel looks at the way the media reports the Alliance

When we complain about these things, as we frequently do, we are told that shortage of space or time squeezed us out, or that lack of representation on one occasion will be balanced on another. All I can say is that we are the people who always get squeezed, and if balance is going to be rectified at some future time the electorate had better prepare itself for a long stint of Alliance and nothing but Alliance views.

Our own monitoring, which is carried out on a region-by-region basis as well as nationally, reveals an enormous disparity between the coverage given to the Labour and Tory parties and to ourselves. This is why we are keen to persuade the BBC to reveal the criteria on which it bases its own internal monitoring procedures, and the results of that monitoring. We simply do not understand how the BBC can claim, as it does, that it is observing both the terms of its Charter and of internal management requirements, when, day after day, the news is packed with interviews with Labour spokesmen plus the occasional token Alliance comment.

The BBC informs us that the responsibility for maintaining

balance is left with individual programme makers, and depends on day-to-day editorial decisions which are not minuted. This implies that the Corporation itself has no overall responsibility for enforcing the terms of its own management decisions; a dangerous and unacceptable state of affairs which allows free rein to individual prejudice disguised as professional judgment.

The power and immediacy of the broadcast word and image requires a system of checks and balances which, it has long been recognised, extends beyond the ranks of those who have professional control over it.

Information is the key to power, but information is easy to manipulate, either by overt techniques of propaganda or by more insidious prejudice which is far more telling in its effects because it is concealed according to no detectable plan or principle.

Even more telling is the simple act of omission. Our frustrations in this respect do not simply spring from vanity. All politicians now recognise that serious treatment by political commentators is their vital sustenance. The desire of the old parties to deprive us of that, and their panic when we do achieve equality of treatment, were clearly seen in the to-do which manifested itself in the House of Commons just before Christmas following the interview which David Owen and myself gave to ITN.

This was a lengthy interview, it is true, but it was no more than had already been given earlier in the year to Mrs Thatcher and Mr Kinnock, and it shook the old duopolists to their marrow.

We are concerned that broadcasting should reflect the new variety of our political system rather than the stale stereotypes and out-of-date divisions which some broadcasters and journalists are content to portray. The Neil and Maggie Road Show is not the only one worth watching on the political stage, and is far from being the most significant.

SELDOM CAN so many words and so much passion have been expended on arguments about a building permit for a Christian sect whose mission is to spread the word of God and whose energies are directed towards preparing for the Second Coming.

In Jerusalem, a decision by the municipality to allow Mormons to build on Mount Scopus overlooking the Holy City, an extension to Utah's Brigham Young University, is exciting the sort of opposition an outsider might expect if Yasser Arafat was given permission to open an office opposite the Wailing Wall.

Rabbi Meir Kahane, who advocates the expulsion from Israel of all Arabs, has published a circular in which he compares the "threat" of Mormons proselytising to the horrors of Auschwitz. Less florid, though hardly less passionate, is the opposition of other religious figures including Cabinet members.

The influential Haaretz newspaper commented: "The Mormons in America, like the Jews in Israel, are a threat to the Jewish world influence that goes beyond actual numbers... and they find it hard to understand how the state of the Jews, whose history is lined with a struggle against discrimination should of all places be the source of such ugly echoes of religious persecution."

Letter from Jerusalem

Bad tidings from Zion

The sometimes acrimonious even violent debate over the Mormon presence in Jerusalem, is merely one of a growing list of secular religious conflicts eating away at the national consensus.

Rabbi David Hartman, Professor of Philosophy at the Hebrew University in Jerusalem, warns that these conflicts are likely to intensify. "It is just the beginning," said Rabbi Hartman. "It's going to surface with much greater intensity. The great tragedy of this country is that those (the Zionists) who pulled off the revolution did not create a new Judaism. They settled the land, but they did not settle the Torah. They didn't settle their own spiritual traditions."

The impact of the steady spread of religious power and influence is reflected in the lengths to which mainstream politicians such as Mr Shimon Peres, the Prime Minister, go to carry favour with the fundamentalists.

In a gesture to the orthodox community, Mr Peres has been receiving instruction from an assigned Rabbi in the Torah

and Talmud. Judaism's holy texts. His courting of religious groupings attracts its share of criticism from parties of the left.

Divisive issues, apart from the building of the Mormon University annex, include religious observance on the Sabbath, a proposal to totally ban the sale of pork in Israel, the who is a Jew? debate, religious pressure on the secular school system, a demand that Ethiopian Jews undergo symbolic conversion because of doubts about their Jewish lineage, and perhaps most vexatious in the long run, settlement of the Occupied West Bank proclaimed by religious Zionists as part of biblical Israel.

Religious influence of dubious merit over daily Israeli life was exemplified last September when a Rabbinical court in central Israel granted a man the right to a divorce because his wife had borne him three daughters but no sons. Stirring particular passions is the ban in certain locations of football on the Sabbath which, according to Rabbi Hartman, may be

the issue on which the strictly orthodox have to back down. "When you touch football you are touching dynamite," he said.

Conflict between religious and secular Jews is not without its elements of farce. There was the case recently of attacks on bus shelters in Jerusalem by orthodox Jews, affronted by posters showing partially dressed women advertising various products.

When the municipality offered a reward of \$5,000 for information leading to the arrest of the vandals, several enterprising young men moved an orthodox neighbourhood, and then lay in wait. In the early hours of the morning a religious zealot was seen to approach the shelter and began to attack it. He was apprehended and handed over to the police, and the youths claimed their reward.

The pork issue is another that illustrates the dilemma facing Israeli politicians, many of whom have no real objection to the sale of pig meat, but

feel obliged to support a ban on its sale. A Bill to that effect was passed the first of three readings in the Knesset.

The arcane "who is a Jew?" debate also reflects the susceptibility of politicians to religious pressure. Strictly orthodox Jews are unwilling to accept conversions to Judaism—mostly performed in America—by conservative and reformist Rabbis.

Rabbi Hartman says the Israeli society are explained in part by turbulent Jewish history. "When the Jews left the ghetto, they got drunk with modernity," he said. Thus Jews split in many different directions because the trauma of modernity was so great. "They're a very idealistic people," he went on, "and they've got a lot of ideological passions. They have many different conflicting memories. All the people are living in one small territory where all these different dreams are colliding."

Yet Rabbi Hartman is sanguine about the future. "We seem to be fighting, and it looks crazy, and it is," he said. "But it has a vibrancy. All brackets are dangerous but lack of vibrancy—passive resignation—is more dangerous."

Tony Walker

John Kitching on today's Rugby internationals

Battle of Nigel's knee

JUST WHEN it seemed that the fun might be going out of international rugby, the French selectors have come to the rescue.

For today's championship opener against Scotland at Murrayfield they have asked the lumbering Agen prop Daniel Dubroca to play out of position at hooker. Not only that, they have appointed him captain and told him to position himself at scrum-half at the lineouts while Pierre Berbizier, the real scrum-half, throws the ball in.

Meanwhile at Twickenham, today, the other opening championship match between England and Wales sees the return of Nigel Melville, who appears to have won the battle of the wounded knee. Melville's presence, and the absence of Wales's Terry Holmes, could have a profound effect on the outcome of the game.

Terry Holmes's place will be taken today by Robert Jones, a 19-year-old from Swansea, who is said to be a scrum-half of immense potential. Wales also have a new captain, the exciting back-row forward, David Pickering of Llanelli.

England have good finishers on the wings in Rory Underwood and Simon Smith, but Kevin Simms should have been given another chance in the centre. It must also have been difficult for the selectors to pick a fly-half. In the end they have gone for a somewhat out-of-form Rob Andrew because of his Yorkshire pairing with Melville.

The Thorn EMI English divisional championship this season has enabled the selectors to choose carefully. Word has it, however, that Paul Randall at loose-head could be in trouble from Ian Eidsman, and the man

with the "spaghetti Western" name, Wade Doolley, could have his work cut out against the likes of John Perkins and that old warrior David Waters.

Still, if Melville's knees hold up, if Andrew can regain some confidence, and if setpiece ball is not too scarce, England have one of their best chances of beating Wales.

That is more than can be said for the Scots' chances against the quaint French selection. Scotland have decided to give caps to the Hastings brothers, Gavin and Scott; it is the first time brothers have made their debuts for Scotland since 1891.

Gavin Hastings is a strong and talented full-back, as followers of his Cambridge University side know, and he should serve Scotland well, particularly as France have gone back for a physically powerful hook division behind their

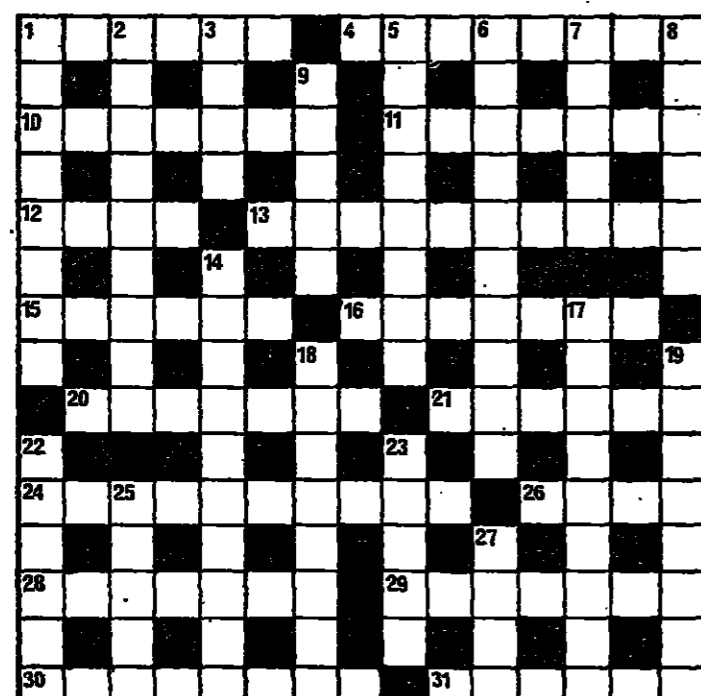


Nigel Melville, England's captain

Gargantuan pack. Some of the French forwards, who weigh around 19 stones, are so slow around the field that they look as if they train on Toulouse sausages and the wines of Haute-Garonne. The only Scots forward to rival them for bulk is the tight-head, Ian "the bear" Milne, who also weighs more than 19 stones.

With the wonderful Blanco at full-back and Esteve (now rumoured to have Superstene on his hands) on one wing, France will take some stopping. Only England or Ireland might do it. I suspect.

F.T. CROSSWORD PUZZLE No. 5925



Prizes of £10 each for the first five correct solutions opened. Solutions to be received by next Thursday, marked Crossword on the envelope, to The Financial Times, 10 Cannon Street, London EC4A 3DF. Solution next Saturday.

- ACROSS
- 1 Stick by a trainee, but colour (6)
 - 4 When about 50 a rustic is affable (8)
 - 10 A lover-married, unfortunately (7)
 - 11 Shake and strive to restrain a naughty child (7)
 - 12 Sort the letters (4)
 - 13 Simple-minded people (10)
 - 15 Put an end to waste in the Civil Service (8)
 - 16 The old king and queen are more majestic (7)
 - 20 Save about a hundred extra (7)
 - 21 Present causing pain (6)
 - 24 He's always in the red at Christmas! (5, 5)
 - 26 A man employed in clerical duties (4)
 - 28 The egghead spoke in French with one on the issue (7)
 - 29 Not as it may appear, a place for stopping (7)
 - 30 Fussiness of a journalist in a food store (8)
 - 31 Feel badly about being told to leave again (6)
- DOWN
- 1 Training to work in charge (8)
 - 2 The code's a mere shop device (9)
 - 3 Some men fear nothing, so make money (4)
 - 5 A sort of transport club—a means is found to form it (10)
 - 7 Accumulate a large number with a certain craft (5)
 - 8 He believes he is accepted by the asthmatics (6)
 - 9 A class given instruction (5)
 - 14 Melancholy, having no ideals to become otherwise (10)
 - 17 Drink for adults only? (5-4)
 - 18 A German looks right and left in taking ale outside (8)
 - 19 There's limited space for shoppers in town (8)
 - 22 Like a general, quiet when having a nap (6)
 - 23 Tighen the money-supply (5)
 - 25 Diana was the making of this nymph (5)
 - 27 Chinese meals? (4)
- Solution to Puzzle No. 5924
- Solution and winners of Puzzle No. 5919
- Mrs A. Poynder, Whittlesey, Peterborough.
- Mrs M. R. Wheatcroft, London SW3.
- Mr M. J. Fulton, Newton Mearns, Glasgow.
- Mr R. Gedling, Epsom, Surrey.

SATURDAY

- 1 indicates programme in black and white
- BBC 1**
- 8.30 am Will the Wisp. 8.35 Hunter's Gold. 9.00 Saturday Sports. 10.15 pm Grandstand, including 12.15 News. Football Focus with Bob Wilson. 10.30 pm Rugby Union (England v Wales) and highlights of Scotland v France. 10.40 pm Kitzbühel, and at 4.40 Final Score—classified results. 10.55 News. 11.15 Regional programmes. 11.30 pm The 11. 11.35 The Noel Edwards Late Late Breakfast Show. 11.45 Les and Duglin's Laughster Show. 12.00 am The 12.00 News. 12.15 The Two Ronnies. 12.30 News and Sport. 1.15 am "Coma." Michael Douglas, Genevieve Bujold and Richard Widmark star. 1.30 am The 1.30 News. 1.45 The Horror Movie. "From Beyond The Grave." Peter Cushing, David Warner, Ian Carmichael, Diana Dors, Margaret Leighton and Donald Pleasence star.
- BBC 2**
- 10.10 am-11.30 pm Open University. 12.05 Film: "Rachel And The Stranger," starring Robert Mitchum, William Holden and Robert Strauss. 1.35 The Red Pony. 2.00 The Red Pony. 2.05 The Red Pony. 2.10 The Red Pony. 2.15 The Red Pony. 2.20 The Red Pony. 2.25 The Red Pony. 2.30 The Red Pony. 2.35 The Red Pony. 2.40 The Red Pony. 2.45 The Red Pony. 2.50 The Red Pony. 2.55 The Red Pony. 3.00 The Red Pony. 3.05 The Red Pony. 3.10 The Red Pony. 3.15 The Red Pony. 3.20 The Red Pony. 3.25 The Red Pony. 3.30 The Red Pony. 3.35 The Red Pony. 3.40 The Red Pony. 3.45 The Red Pony. 3.50 The Red Pony. 3.55 The Red Pony. 4.00 The Red Pony. 4.05 The Red Pony. 4.10 The Red Pony. 4.15 The Red Pony. 4.20 The Red Pony. 4.25 The Red Pony. 4.30 The Red Pony. 4.35 The Red Pony. 4.40 The Red Pony. 4.45 The Red Pony. 4.50 The Red Pony. 4.55 The Red Pony. 5.00 The Red Pony. 5.05 The Red Pony. 5.10 The Red Pony. 5.15 The Red Pony. 5.20 The Red Pony. 5.25 The Red Pony. 5.30 The Red Pony. 5.35 The Red Pony. 5.40 The 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